

MARSHALL COUNTY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS

Year ended June 30, 2013

MARSHALL COUNTY SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
and Members of the Board of Education
Marshall County School District
Benton, Kentucky

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marshall County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Kentucky Public School District's Independent Auditor's Contract, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marshall County School District as of June 30, 2013 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 36 through 37, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marshall County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 11, 2013, on my consideration of the Marshall County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Marshall County School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, flowing style.

Benton, Kentucky
November 11, 2013

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

As management of the Marshall County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning balance of all funds (general, special revenue, capital outlay, building, construction and food service) for the District totaled \$3,413,342.37. The combination of "all funds" yielded \$46,672,594.69 in revenue (not including beginning balances), which primarily consisted of the state program (SEEK), property, occupational, utilities, in lieu and motor vehicle taxes. The combination of "all funds" yielded \$44,814,770.82 in expenditures. The ending balance for all funds was \$5,271,166.24.
- Property assessments generated on July 25, 2012 and then certified to the District Board of Education by the Commissioner showed total real and personal property valuation at \$1,900,602,651 and motor vehicle valuation at \$247,166,695. The real estate and personal property rate assessed was 40.2 cents per \$100 of assessed property. The total collected was \$7,428,417. The motor vehicle property tax rate was 40.0 cents per \$100 of assessed property. The total collected was \$1,112,613.
- Districts are funded through the Support Education Excellence in Kentucky (SEEK) calculation. A vital component of this calculation is the Average Daily Attendance (ADA). The final funding ADA for FY13 was \$4,273,777. The district ADA showed growth of 2.991 during the year. The growth is calculated by taking the difference between the end of the second month attendance figures in the prior year (FY12) and the end of the second month attendance figures in the current year (FY13).
- During FY13, the District received \$15,116,045 in state SEEK funds. This is \$79,793 less than the prior year. The guaranteed per pupil base was \$3,833 (compared to \$3,903 in FY12). Transportation was again not fully funded through the SEEK calculation during FY13. Full funding would have been \$2,337,521. Funding was prorated at 62.5% for a total of \$1,461,602 and a difference of \$875,919. Rising personnel costs and unpredictable fuel costs continue to make the reduction in transportation funding increasingly difficult to manage.
- There was no across the board salary increase during FY13. Rank and step increases did apply to the salary schedule.
- Utilities receipts were up 2.5% from the prior year. The total collection for the year was \$3,245,434.09. During any given year, the change can be attributed to a combination of usage, fluctuating prices, and rate of collection. The Department of Revenue (DOR) collects the utilities tax on behalf of the school districts in Kentucky for a fee not to exceed one percent.
- The level at which grants are subsidized by the District remains significant. As a number of variables cause grant awards to fluctuate, the District must either subsidize the individual grant or make cuts in the program. During FY13, the District spent \$909,808 to supplement programs as follows: Technical Center, 68.10%, KERA Preschool, 9.64%, Safe Schools, 8.22%, Gifted and Talented, 6.01%, Title IV, 3.36%, Family Resource, 1.89%, Adult Learning Center, 1.20%, ESS, 0.84%, Project Lead the Way, 0.82%, and Professional Development, 0.23%. At 68.10% of the total, the District spent \$605,214 from the general fund to assist the operations of the Technical Center in FY13.
- There remains a focus on investing in plant management, considering the age and size of our facilities. This process will be achieved using building priorities as compiled in the facilities plan, combined with available funding. During FY 11, a local planning committee (LPC) convened and developed, according to guidelines set forth by KDE, a new local facility plan. This plan shows capital construction priorities with a cost estimate of \$39,048,129. The plan was approved by the LPC and then presented to the Marshall County Board of Education at a regularly scheduled meeting on February 17, 2011. On June 8, 2011, the Kentucky Board of Education approved the plan. This remains the current plan on file.

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

FINANCIAL HIGHLIGHTS (Continued)

- Electricity expenses were down 7.78% from the prior year for a total expenditure of \$941,902. Natural gas expenditures were up 15.89% from the prior year with \$202,426 being spent. These percentages only reflect actual dollars spent during the year and do not factor in any differences in usage from year to year.
- Funds spent on diesel fuel were up 8.20% from the prior year with a total expenditure of \$310,645. Gasoline expenditures were down 3.70% from the prior year with a total expenditure of \$57,559. The percentages noted only compare actual dollars spent during the years and do not factor in any differences in usage.
- Retiree health care legislation passed through the Kentucky House of Representatives and was signed into law by the Governor on April 13, 2010. The purpose of this legislation was to "insure that not only Kentucky's current retired teachers, but active teachers when they retire as well, will continue to receive health benefits. It also helps the pension fund" (according to the April/May 2010 Kentucky Teachers' Retirement System Active Member Edition newsletter). In this "shared responsibility solution", districts would match the employee contribution for KTRS health as follows:

KTRS Health	10-11	11-12	12-13	13-14	14-15	15-16
Cost	\$49,730	\$93,973	\$178,518			
Rate	.25%	.50%	1.00%	1.50%	2.25%	3.00%

- Most classified personnel are covered under the County Employees Retirement System (CERS). This year, contributions to the plan consist of an employee contribution of 5.0% (members with a participation date on or after September 1, 2008 must contribute an additional 1%). The employer match for CERS increased aggressively for several years and then dropped in 08-09. Rates took another significant increase effective July 1, 2009. The employer match for FY 12-13 was 19.55%. The employer matching requirement from FY12 to FY13 (for all funds) decreased by \$24,150 for a total expenditure of \$994,414.

fiscal year	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13
rate	6.34%	7.34%	8.48%	10.98%	13.19%	16.17%	13.50%	16.16%	16.93%	18.96%	19.55%

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our food service operations, adult education, and our self-insurance dental fund. All other activities of the district are included in the governmental funds.

The basic fund financial statements can be found on pages 11 through 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 35 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$28,226,727 as of June 30, 2013.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

	Net Position for the period ending	
	June 30, 2013	June 30, 2012
Current Assets	\$ 8,505,345	\$ 6,867,360
Noncurrent Assets	38,067,722	39,713,803
Other Assets	130,056	144,152
Total Assets	<u>46,703,123</u>	<u>46,725,315</u>
Current Liabilities	1,830,684	2,009,616
Noncurrent Liabilities	16,645,712	17,951,219
Total Liabilities	<u>18,476,396</u>	<u>19,960,835</u>
Net investment in capital assets	20,865,753	21,485,390
Restricted for:		
KSFCC escrow	651,771	591,770
Capital projects and construction	304,174	300,789
Debt service	97,826	98,996
Food service	168,562	214,526
Unrestricted	6,138,641	4,073,009
Total Net Position	<u>\$ 28,226,727</u>	<u>\$ 26,764,480</u>

The following presents a summary of revenue and expense for the fiscal year ended June 30, 2013, compared to the fiscal year ended June 30, 2012.

	June 30, 2013	June 30, 2012
Program Revenues:		
Charges for Services-Governmental	\$ 118,905	\$ 98,266
Charges for Services-Food Service	844,107	881,011
Operating Grants-Governmental	11,337,952	11,590,692
Operating Grants-Food Service	1,823,212	1,832,854
Capital Grants-Governmental	1,043,534	1,377,401
Total program revenues	<u>15,167,710</u>	<u>15,780,224</u>
General Revenues:		
Taxes	15,842,939	14,668,124
Earnings on investments	119,588	109,772
State and formula grants	15,116,045	15,871,871
Gain on retirement of assets	201,718	182,548
Miscellaneous	1,083	1,503
Total general revenues	<u>31,281,373</u>	<u>30,833,818</u>
Expenses:		
Instruction	\$ 27,249,733	\$ 28,358,021
Student support services	1,719,396	1,736,141
Instructional support	1,211,025	1,357,166
District administration	1,469,374	1,712,629
School administration	2,031,968	1,959,823
Business support	926,219	861,998
Plant operations	4,214,276	4,511,411
Student transportation	2,348,452	2,312,951
Community services	295,267	318,555
Food Service Operation	2,771,217	2,789,898
Adult education	2,606	2,768
Interest on long-term debt	711,702	622,690
Other Debt Service	35,601	35,601
Total expenses	<u>44,986,836</u>	<u>46,579,652</u>
Change in Net Position	1,462,247	34,390
Beginning Net Position	<u>26,764,480</u>	<u>26,730,090</u>
Ending Net Position	<u>\$ 28,226,727</u>	<u>\$ 26,764,480</u>

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Revenue Recap

The majority of revenues were derived from state funding (54.26%) followed by local funding (36.79%), federal funding (8.78%), interfund transfers (0.15%), and other receipts (0.02%).

Expenditure Recap

Instruction expenditures made up the majority at (55.44%) followed by Plant Operations (8.48%), Food Services (5.77%), Student Transportation (5.27%), School Administration (4.35%), Fund Transfers (4.26%), Debt Services (3.91%), Student Support Services (3.69%), District Administration (3.39%), Instructional Support (2.60%), Business Support (1.97%), Community Services (0.63%), and Site Acquisition (0.24%).

COMMENTS ON BUDGET COMPARISONS

Reported on-behalf payments are non-budgetary accounts as instructed by the Kentucky Department of Education. As such, they cause revenues and expenditures to be overstated in the areas in which they are reported. The on-behalf payments for FY 13 are as follows: Health/Life/Dental/Vision, \$4,787,892, Teacher Retirement, \$2,454,781, Technology, \$77,241, for a total of \$7,319,914. Of this amount, \$7,070,120 was allocated to the General Fund and \$249,794 was allocated to the Food Service Fund. In the Statement of Revenues, Expenditures and Changes in Fund Balance located on page 36, the on-behalf payment is included in the "Intergovernmental – State" revenue line item and is prorated to each function according to the percentage of salaries.

ADDITIONAL NOTES

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal grants, operate on a different fiscal calendar, but are reflected in the District overall budget. By law the general fund budget must have a minimum 2% contingency. The Kentucky Department of Education recommends at least 4% and recognizes 10% as being appropriate. The FY13 working budget was approved at the September 20, 2012 Board of Education meeting. Over the course of the year, the District revised the annual operating budget several times. Kentucky districts are required to present to the Board of Education a Draft Budget, Tentative Working Budget, and Working Budget. Significant amendments after the passage of the Working Budget are brought to the Board of Education (during the Treasurer's report) for subsequent review.

Questions regarding this report should be directed to the Superintendent or Finance Officer at (270)527-8628 or by mail at 86 High School Road, Benton, KY 42025.

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business- Type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 7,031,556	\$ 32,770	\$ 7,064,326
Accounts receivable:			
Taxes - current	887,487	0	887,487
Taxes - delinquent	35,121	0	35,121
Accounts receivable	12,336	443	12,779
Due from school activity funds	1,787	0	1,787
Interest	3	0	3
Intergovernmental - state	22,080	0	22,080
Intergovernmental - indirect federal	305,287	102,877	408,164
Inventory	0	67,986	67,986
Prepaid expenses	5,612	0	5,612
Total current assets	<u>8,301,269</u>	<u>204,076</u>	<u>8,505,345</u>
Noncurrent Assets:			
Capital assets	72,378,905	1,412,328	73,791,233
Less: Accumulated depreciation	<u>(34,614,616)</u>	<u>(1,108,895)</u>	<u>(35,723,511)</u>
Total noncurrent assets	<u>37,764,289</u>	<u>303,433</u>	<u>38,067,722</u>
Other Assets:			
Unamortized bond issue costs	<u>130,056</u>	<u>0</u>	<u>130,056</u>
Total other assets	<u>130,056</u>	<u>0</u>	<u>130,056</u>
TOTAL ASSETS	<u><u>\$ 46,195,614</u></u>	<u><u>\$ 507,509</u></u>	<u><u>\$ 46,703,123</u></u>
LIABILITIES :			
Current Liabilities:			
Accounts payable	\$ 246,370	\$ 3,631	\$ 250,001
Due to school activity funds	2,078	0	2,078
Deferred revenue	255,420	0	255,420
Current portion of bond obligations	1,249,000	0	1,249,000
Less: Current portion of unamortized bond discount	(21,505)	0	(21,505)
Less: Current portion of deferred loss on early debt retirement	(97,853)	0	(97,853)
Current portion of accrued sick leave	108,835	5,293	114,128
Interest payable	79,415	0	79,415
Total current liabilities	<u>1,821,760</u>	<u>8,924</u>	<u>1,830,684</u>
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	17,244,000	0	17,244,000
Less: Noncurrent portion of unamortized bond discount	(193,145)	0	(193,145)
Less: Noncurrent portion of deferred loss on early debt retirement	(978,528)	0	(978,528)
Noncurrent portion of accrued sick leave	546,795	26,590	573,385
Total noncurrent liabilities	<u>16,619,122</u>	<u>26,590</u>	<u>16,645,712</u>
TOTAL LIABILITIES	<u><u>\$ 18,440,882</u></u>	<u><u>\$ 35,514</u></u>	<u><u>\$ 18,476,396</u></u>
NET POSITION:			
Net investment in capital assets	\$ 20,562,320	\$ 303,433	\$ 20,865,753
Restricted for:			
KSFCC escrow	729,989	0	729,989
Capital projects and construction	225,956	0	225,956
Debt service	97,826	0	97,826
Food service	0	168,562	168,562
Unrestricted	6,138,641	0	6,138,641
TOTAL NET POSITION	<u><u>\$ 27,754,732</u></u>	<u><u>\$ 471,995</u></u>	<u><u>\$ 28,226,727</u></u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
FUNCTIONS/PROGRAMS	Expenses						
Governmental Activities:							
Instruction	\$ 27,249,733	\$ 116,920	\$ 8,663,115	\$ 1,043,534	\$ (17,426,164)	\$ 0	\$ (17,426,164)
Support Services:							
Student	1,719,396	0	329,339	0	(1,390,057)	0	(1,390,057)
Instructional Staff	1,211,025	0	419,451	0	(791,574)	0	(791,574)
District Administration	1,469,374	0	104,706	0	(1,364,668)	0	(1,364,668)
School Administration	2,031,968	0	454,842	0	(1,577,126)	0	(1,577,126)
Business	926,219	0	224,991	0	(701,228)	0	(701,228)
Plant operations and maintenance	4,214,276	1,985	362,135	0	(3,850,156)	0	(3,850,156)
Student transportation	2,348,452	0	416,413	0	(1,932,039)	0	(1,932,039)
Food service	3,960	0	0	0	(3,960)	0	(3,960)
Community service activities	295,267	0	264,953	0	(30,314)	0	(30,314)
Interest on long-term debt	711,702	0	98,007	0	(613,695)	0	(613,695)
Other debt service	35,601	0	0	0	(35,601)	0	(35,601)
Total governmental activities	42,216,973	118,905	11,337,952	1,043,534	(29,716,582)	0	(29,716,582)
Business-Type Activities:							
Food service	2,767,257	844,107	1,823,212	0	0	(99,938)	(99,938)
Adult education	2,606	0	0	0	0	(2,606)	(2,606)
Total business-type activities	2,769,863	844,107	1,823,212	0	0	(102,544)	(102,544)
Total primary government	\$ 44,986,836	\$ 963,012	\$ 13,161,164	\$ 1,043,534	(29,716,582)	(102,544)	(29,819,126)
General Revenues:							
Taxes:							
Property					7,683,440	0	7,683,440
Motor Vehicle					1,112,613	0	1,112,613
Utilities					3,245,434	0	3,245,434
Occupational license tax					2,078,323	0	2,078,323
In Lieu of					1,723,129	0	1,723,129
Earnings on Investments					117,527	2,061	119,588
State and formula grants					15,116,045	0	15,116,045
Gain on retirement of assets					201,718	0	201,718
Miscellaneous					1,083	0	1,083
Change in net position					1,562,730	(100,483)	1,462,247
Net position as restated at July 1, 2012					26,192,002	572,478	26,764,480
Net position at June 30, 2013					\$ 27,754,732	\$ 471,995	\$ 28,226,727

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Special Revenue Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES:				
Cash and cash equivalents	\$ 5,618,483	\$ 0	\$ 1,053,771	\$ 6,672,254
Accounts receivable:				
Taxes - current	887,487	0	0	887,487
Taxes - delinquent	35,121	0	0	35,121
Accounts receivable	12,336	0	0	12,336
Due from other funds	39,253	0	0	39,253
Due from school activity funds	1,787	0	0	1,787
Interest	3	0	0	3
Intergovernmental - state	0	22,080	0	22,080
Intergovernmental - indirect federal	9,509	295,778	0	305,287
Prepaid expenses	5,612	0	0	5,612
TOTAL ASSETS AND RESOURCES	\$ 6,609,591	\$ 317,858	\$ 1,053,771	\$ 7,981,220
LIABILITIES AND FUND BALANCE:				
LIABILITIES:				
Accounts payable	\$ 187,936	\$ 23,185	\$ 0	\$ 211,121
Due to other funds	0	39,253	0	39,253
Due to school activity funds	2,078	0	0	2,078
Deferred revenue	0	255,420	0	255,420
Current portion of accrued sick leave	108,835	0	0	108,835
TOTAL LIABILITIES	298,849	317,858	0	616,707
FUND BALANCES:				
Nonspendable	5,612	0	0	5,612
Restricted	327,815	0	1,053,771	1,381,586
Committed	988,022	0	0	988,022
Assigned	89,911	0	0	89,911
Unassigned	4,899,382	0	0	4,899,382
TOTAL FUND BALANCES	6,310,742	0	1,053,771	7,364,513
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,609,591	\$ 317,858	\$ 1,053,771	\$ 7,981,220

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2013

Total governmental fund balance per fund financial statements		\$ 7,364,513
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Cost	\$ 72,378,905	
Accumulated depreciation	<u>(34,614,616)</u>	37,764,289
Deferred charges including debt issue costs are amortized in the governmental activities, but were recognized in full in the governmental funds.		
		130,056
Certain liabilities including interest payable are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		
		(79,415)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bond and lease obligations	(17,201,969)	
Accrued sick leave payable	<u>(546,795)</u>	(17,748,764)
Internal service funds are used by management to charge the cost of dental insurance to individual funds. The assets and liabilities of this internal service fund not included in other reconciling items are:		
Current assets	359,302	
Current liabilities	<u>(35,249)</u>	<u>324,053</u>
Net position of governmental activities		<u><u>\$ 27,754,732</u></u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2013

	General Fund	Special Revenue Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 6,604,461	\$ 0	\$ 1,078,979	\$ 7,683,440
Motor Vehicle	1,112,613	0	0	1,112,613
Utilities	3,245,434	0	0	3,245,434
Occupational license tax	2,078,323	0	0	2,078,323
In Lieu of	1,681,185	0	0	1,681,185
Tuition	1,933	0	0	1,933
Earnings on Investments	113,931	2,207	3,596	119,734
Other local revenues	249,847	31,700	0	281,547
Intergovernmental - State	22,252,218	1,471,496	1,141,541	24,865,255
Intergovernmental - indirect federal	114,987	2,408,496	0	2,523,483
TOTAL REVENUES	37,454,932	3,913,899	2,224,116	43,592,947
EXPENDITURES:				
Current:				
Instruction	22,454,307	3,378,854	0	25,833,161
Support Services:				
Student	1,710,984	8,412	0	1,719,396
Instructional Staff	1,029,135	180,443	0	1,209,578
District Administration	1,564,394	33,004	0	1,597,398
School Administration	2,025,983	0	0	2,025,983
Business	919,134	0	0	919,134
Plant operations and maintenance	3,949,012	0	0	3,949,012
Student transportation	2,337,499	116,566	0	2,454,065
Food service	3,960	0	0	3,960
Community service activities	30,314	264,953	0	295,267
Facilities acquisition and construction	110,802	0	0	110,802
Debt service	0	0	1,824,388	1,824,388
TOTAL EXPENDITURES	36,135,524	3,982,232	1,824,388	41,942,144
Excess (deficit) of revenues over expenditures	1,319,408	(68,333)	399,728	1,650,803
OTHER FINANCING SOURCES (USES):				
Sale or comp for loss of assets	203,067	0	0	203,067
Operating transfers in	337,512	68,333	1,579,110	1,984,955
Operating transfers out	(68,333)	0	(1,916,622)	(1,984,955)
TOTAL OTHER FINANCING SOURCES (USES)	472,246	68,333	(337,512)	203,067
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	1,791,654	0	62,216	1,853,870
Fund Balance, July 1, 2012	4,519,088	0	991,555	5,510,643
Fund Balance, June 30, 2013	\$ 6,310,742	\$ 0	\$ 1,053,771	\$ 7,364,513

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES**
 For the Year Ended June 30, 2013

Net change in total governmental fund balances per fund financial statements		\$ 1,853,870
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays are exceeded by depreciation expense for the year.		
Depreciation expense	(2,130,235)	
Capital outlays	<u>540,022</u>	(1,590,213)
Gross proceeds from the sale of capital assets are reported as revenue in the governmental funds because they provide current financial resources. However, in the statement of activities, the undepreciated cost of those assets is deducted from the proceeds to report gain or loss on the sale.		
Gross proceeds from the sale of fixed assets	(203,067)	
Gain on the disposal of fixed assets	<u>201,718</u>	(1,349)
Bond proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Principal paid	<u>1,203,000</u>	1,203,000
Governmental funds report the effect of issuance costs and discounts when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities.		
Amortization of deferred loss on early retirement of debt	(97,853)	
Amortization of deferred bond issuance costs and discounts	<u>(35,601)</u>	(133,454)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred. These net differences are as follows:		
Interest payable	7,539	
Accrued sick leave	<u>202,455</u>	209,994
Internal service funds are used by management to charge the costs of dental insurance to individual funds. The net revenue of the internal service fund is reported with governmental activities.		<u>20,882</u>
Change in net position of governmental activities		<u><u>\$ 1,562,730</u></u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Food Service Fund	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS:				
Current Assets				
Cash and cash equivalents	\$ 32,770	\$ 0	\$ 32,770	\$ 359,302
Accounts receivable:				
Intergovernmental - indirect federal	102,877	0	102,877	0
Other accounts receivable	443	0	443	0
Inventory	67,986	0	67,986	0
Total current assets	<u>204,076</u>	<u>0</u>	<u>204,076</u>	<u>359,302</u>
Noncurrent Assets				
Capital assets	1,272,208	140,120	1,412,328	0
Less: accumulated depreciation	(991,239)	(117,656)	(1,108,895)	0
Total noncurrent assets	<u>280,969</u>	<u>22,464</u>	<u>303,433</u>	<u>0</u>
TOTAL ASSETS	<u><u>\$ 485,045</u></u>	<u><u>\$ 22,464</u></u>	<u><u>\$ 507,509</u></u>	<u><u>\$ 359,302</u></u>
LIABILITIES:				
Current Liabilities				
Accounts payable	\$ 3,631	\$ 0	\$ 3,631	\$ 0
Current portion of accrued sick leave	5,293	0	5,293	0
Estimated claims payable, current	0	0	0	35,249
Total current liabilities	<u>8,924</u>	<u>0</u>	<u>8,924</u>	<u>35,249</u>
Noncurrent Liabilities				
Noncurrent portion of accrued sick leave	26,590	0	26,590	0
Total noncurrent liabilities	<u>26,590</u>	<u>0</u>	<u>26,590</u>	<u>0</u>
TOTAL LIABILITIES	<u><u>\$ 35,514</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 35,514</u></u>	<u><u>\$ 35,249</u></u>
Net Position				
Net investment in capital assets	\$ 280,969	\$ 22,464	\$ 303,433	\$ 0
Nonspendable	67,986	0	67,986	0
Restricted	100,576	0	100,576	324,053
Total net position	<u><u>\$ 449,531</u></u>	<u><u>\$ 22,464</u></u>	<u><u>\$ 471,995</u></u>	<u><u>\$ 324,053</u></u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Year Ended June 30, 2013

	Food Service Fund	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Operating Revenues:				
Lunchroom sales	\$ 835,518	\$ 0	\$ 835,518	\$ 0
Other operating revenues	8,589	0	8,589	0
Charges for services from other funds	0	0	0	285,070
COBRA revenues	0	0	0	3,350
Total operating revenues	844,107	0	844,107	288,420
Operating Expenses:				
Salaries and benefits	1,311,068	0	1,311,068	0
Contract services	39,337	0	39,337	27,549
Materials and supplies	1,344,905	0	1,344,905	0
Expendable equipment	0	0	0	0
Depreciation	51,913	2,606	54,519	0
Claims paid	0	0	0	244,002
Other operating expenses	20,034	0	20,034	0
Total operating expenses	2,767,257	2,606	2,769,863	271,551
Operating income (loss)	(1,923,150)	(2,606)	(1,925,756)	16,869
Non-Operating Revenues (Expenses):				
Federal grants	1,384,892	0	1,384,892	0
Donated commodities	161,192	0	161,192	0
State grants	277,128	0	277,128	0
Interest income	2,061	0	2,061	4,013
Total non-operating revenues	1,825,273	0	1,825,273	4,013
Change in net position	(97,877)	(2,606)	(100,483)	20,882
Net Position, July 1, 2012	547,408	25,070	572,478	303,171
Net Position, June 30, 2013	\$ 449,531	\$ 22,464	\$ 471,995	\$ 324,053

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Food Service Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Cash Flows from Operating Activities:				
Cash received from:				
Lunchroom sales	\$ 835,518	\$ 0	\$ 835,518	\$ 0
Other operating revenues	8,702	0	8,702	3,350
Charges for services from other funds	0	0	0	285,070
Cash paid to/for:				
Employees	(1,029,391)	0	(1,029,391)	0
Contract services	(37,550)	0	(37,550)	(25,155)
Materials and supplies	(1,190,507)	0	(1,190,507)	0
Other operating expenses	(20,034)	0	(20,034)	(241,485)
Net cash provided by (used in) operating activities	<u>(1,433,262)</u>	<u>0</u>	<u>(1,433,262)</u>	<u>21,780</u>
Cash Flows from Non-Capital Financing Activities:				
Operating grants received	1,309,349	0	1,309,349	0
Net cash provided by (used in)				
non-capital financing activities	<u>1,309,349</u>	<u>0</u>	<u>1,309,349</u>	<u>0</u>
Cash Flows from Investing Activities:				
Interest income received	2,061	0	2,061	4,013
Net cash provided by (used in) investing activities	<u>2,061</u>	<u>0</u>	<u>2,061</u>	<u>4,013</u>
Net increase (decrease) in cash and cash equivalents	(121,852)	0	(121,852)	25,793
Cash and cash equivalents, July 1, 2012	<u>154,622</u>	<u>0</u>	<u>154,622</u>	<u>333,509</u>
Cash and cash equivalents, June 30, 2013	<u>\$ 32,770</u>	<u>\$ 0</u>	<u>\$ 32,770</u>	<u>\$ 359,302</u>
Reconciliation of operating income (loss)				
to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (1,923,150)	\$ (2,606)	\$ (1,925,756)	\$ 16,869
Adjustments to reconcile operating income (loss) to				
net cash provided by (used in) operating activities:				
Depreciation	51,913	2,606	54,519	0
In-kind grant from state	249,794	0	249,794	0
Commodities used	161,192	0	161,192	0
Changes in assets and liabilities:				
Inventory	(8,394)	0	(8,394)	0
Accounts receivable	113	0	113	0
Accounts payable	3,387	0	3,387	4,911
Accrued sick leave	31,883	0	31,883	0
Net cash provided by operating activities	<u>\$ (1,433,262)</u>	<u>\$ 0</u>	<u>\$ (1,433,262)</u>	<u>\$ 21,780</u>
Non-Cash Investing, Capital, and Financing Activities:				
Food commodities received	\$ 161,192	\$ 0	\$ 161,192	\$ 0
In-kind grant from state for benefits	249,794	0	249,794	0
Total Non-Cash Investing, Capital, and				
Financing Activities	<u>\$ 410,986</u>	<u>\$ 0</u>	<u>\$ 410,986</u>	<u>\$ 0</u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	Private Purpose Trust Funds	Agency Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 332,846	\$ 717,841
Accounts receivable	0	15,231
Due from Governmental Funds	<u>0</u>	<u>2,078</u>
Total Assets	<u><u>\$ 332,846</u></u>	<u><u>\$ 735,150</u></u>
 LIABILITIES:		
Accounts payable	\$ 0	\$ 24,252
Due to Governmental Funds	0	1,787
Due to student groups	<u>0</u>	<u>709,111</u>
Total Liabilities	<u><u>\$ 0</u></u>	<u><u>\$ 735,150</u></u>
 NET POSITION HELD IN TRUST	<u><u>\$ 332,846</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2013

	Private Purpose Trust Funds
	<u> </u>
Additions:	
Interest income	\$ 4,602
Contributions received	<u>26,901</u>
Total Additions	<u>31,503</u>
 Deductions:	
Fundraising expenses	1,046
Benefits paid	<u>25,285</u>
Total Deductions	<u>26,331</u>
Change in net position	5,172
Net position, July 1, 2012	<u>327,674</u>
Net position, June 30, 2013	<u><u>\$ 332,846</u></u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year ended June 30, 2013

NOTE A – REPORTING ENTITY

The Marshall County Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Marshall County School District (“District”). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards because board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Marshall County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements:

Marshall County School District Finance Corporation – In 1991, the Marshall County Board of Education resolved to authorize the establishment of the Marshall County School District Finance Corporation (a nonprofit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The board members of the Marshall County Board of Education also comprise the Corporation’s Board of Directors.

Marshall County Finance Office – On September 1, 1968, the Marshall County Fiscal Court formed the Marshall County Finance Office as an agency of the Board for collecting the .5% occupational license tax for schools. When the District began providing office space and the salary for the collector of the tax, the fund was included as an Agency Fund on the District’s financial statements. Based on format changes to the statements under GASB 34, the Finance Office Fund activities were combined with the General Fund.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District’s accounting policies are described below.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and fund balances, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Accounting

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.
- (B) The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources, such as grants, donations, or gifts (other than expendable trusts or major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes state, federal, and private grants where unused balances are returned to the grantor at the close of specified project periods. Project accounting codes are employed to distinguish specific revenue sources and expenditures. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 47. This is a major fund of the District.
- (C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (other than those financed by Proprietary Funds). Common sources of revenue to these funds are the capital outlay allotment, building fund tax levies, and sale of bonds.
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise and Internal Service Funds)

- (A) The Food Service Fund (Enterprise) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). An amount of \$161,192 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.
- (B) The Adult Education Fund (Enterprise) is used to account for revenues from adult education programs.
- (C) The Self-insurance Dental Fund (Internal Service) is used to account for the financing of risk management for dental coverage.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting – continued

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) Agency funds account for assets held by the District in a purely custodial capacity. Since Agency Funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activity funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- (B) The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, such as scholarships.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means resources are expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes

Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property within the School District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they are levied.

The property tax rates assessed for the year ended June 30, 2013, to finance operations were \$.402 per \$100 valuation for real property, \$.402 per \$100 valuation for business personal property and \$.40 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

In addition, the District levies an occupational license tax of .5% on salaries, wages, commissions, and other compensation of individuals for work done and services performed or rendered in the county by resident individuals and on the net profits of all businesses, professions, or occupations from activities conducted in the county.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for revenues and expenses on the same basis as the actual financial statements, which is Generally Accepted Accounting Principles (GAAP).

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary (food service) fund. Inventory consists of purchased food and donated commodities and is expensed when used. The purchased food is stated at cost and donated commodity inventory is stated at estimated value on date of receipt, with both types using the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2013 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid items at June 30, 2013 consisted of prepaid fidelity bonds, liability insurance, and dues.

Debt Costs

Unamortized debt issuance costs in the amount of \$130,056 and unamortized discounts of \$214,650 are included in the government-wide statements. Both of these items are amortized over the lives of the related debt issues using the straight-line method.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. At its July 17, 2012 meeting, the Board approved a change to its Fixed Asset policy in order to follow guidelines developed by the Kentucky Department of Education in its latest update on January 25, 2012. The new guidelines establish a capitalization threshold of \$5,000 for real or personal property, including computer workstations. Larger thresholds apply to land improvements, buildings and building improvements, and leasehold improvements. The District does not possess any infrastructure. Improvements to land and to buildings in excess of established thresholds are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental and business-type capital assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted the policy of providing at retirement a percentage of their accumulated unused sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments and the age and current pay rates of eligible employees.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid sick leave is the amount expected to be paid using expendable available resources. These amounts, when applicable, are recorded in the account "current portion of accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as liabilities in the fund financial statements until due.

Fund Balance Classifications

Nonspendable fund balances are amounts that are not in a spendable form (such as prepaid expenses or inventories) or are required to be maintained intact. At June 30, 2013, the District had \$5,612 in nonspendable fund balance – prepaids.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2013, the District had \$327,815 restricted for sick leave in the General Fund and \$1,053,771 restricted in the nonmajor funds (\$651,771 for KSFCC escrow, \$304,174 for construction, and \$97,826 for debt service).

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which, for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments at June 30, 2013: \$43,107 for SDBM carryforward, \$8,617 for playground equipment, \$719,759 for buses, and \$216,539 for digital curriculum.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows the program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2013, was \$26,202 in the General Fund. The General Fund also had \$63,709 assigned for equipment purchases. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Balance Classifications (Continued)

The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Use of Restricted Resources

When an expense is incurred for which there are both restricted and unrestricted net position available, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Impact of Recently Issued Accounting Pronouncements

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in non-governmental pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 had no impact on the District's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows and inflows of resources, which are distinct from assets and liabilities, and also renames as net position, rather than net assets, the residual of all other elements presented in a statement of financial position. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. As of June 30, 2013, the District had no deferred outflows or deferred inflows of resources.

In March, 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012; therefore, this statement will affect the financial statements for the fiscal year ending June 30, 2014.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Interfund transfers between funds of the same type are eliminated in the government-wide statements. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through November 11, 2013, the date the financial statements were available to be issued.

NOTE C – ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE D – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Kentucky Revised Statutes authorize the Board to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or saving and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States Government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptance for banks rated in one of the three highest categories by a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices.

At year end, the carrying amount of the District's cash and cash equivalents was \$8,115,013. The bank balance was \$9,561,207. Of the bank balance, \$636,122 was covered by federal depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The remaining balance of \$8,925,085 was uninsured and collateralized with securities held by the pledging bank's agent, in the District's name.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2013

Note E - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

Governmental Activities	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
Capital Assets:				
Land	\$ 1,183,523	\$ 110,802	\$ 0	\$ 1,294,325
Land improvements	44,500	0	0	44,500
Buildings and improvements	58,861,627	43,914	0	58,905,541
Technology equipment	3,084,279	0	32,305	3,051,974
Vehicles	4,880,797	337,512	0	5,218,309
General Equipment	3,801,849	62,407	0	3,864,256
Construction	14,613	0	14,613	0
Totals at historical cost	<u>71,871,188</u>	<u>554,635</u>	<u>46,918</u>	<u>72,378,905</u>
Less: Accumulated depreciation				
Land improvements	7,417	2,225	0	9,642
Buildings and improvements	24,231,620	1,314,058	0	25,545,678
Technology equipment	2,343,593	288,108	30,956	2,600,745
Vehicles	3,265,201	323,742	0	3,588,943
General Equipment	2,667,506	202,102	0	2,869,608
Total accumulated depreciation	<u>32,515,337</u>	<u>2,130,235</u>	<u>30,956</u>	<u>34,614,616</u>
Governmental Activities Capital Assets - Net	<u>\$ 39,355,851</u>	<u>\$ (1,575,600)</u>	<u>\$ 15,962</u>	<u>\$ 37,764,289</u>
Business-Type Activities				
Capital Assets:				
Buildings and improvements	\$ 114,545	\$ 0	\$ 0	\$ 114,545
Technology equipment	67,076	0	0	67,076
General Equipment	1,230,707	0	0	1,230,707
Totals at historical cost	<u>1,412,328</u>	<u>0</u>	<u>0</u>	<u>1,412,328</u>
Less: Accumulated depreciation				
Buildings and improvements	90,491	2,291	0	92,782
Technology equipment	61,729	2,123	0	63,852
General Equipment	902,156	50,105	0	952,261
Total accumulated depreciation	<u>1,054,376</u>	<u>54,519</u>	<u>0</u>	<u>1,108,895</u>
Business-Type Activities Capital Assets - Net	<u>\$ 357,952</u>	<u>\$ (54,519)</u>	<u>\$ 0</u>	<u>\$ 303,433</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,474,169
Instructional staff support	1,447
District administration	74,431
School administrative support	5,985
Business support	7,085
Plant operation and maintenance	335,219
Student transportation	231,899
Total depreciation expense	<u>\$ 2,130,235</u>

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE F – BONDED DEBT AND CAPITAL LEASE OBLIGATIONS

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District's future obligations to make lease payments related to school building revenue bonds issued by the Marshall County School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The District, through the General Fund, SEEK Capital Outlay Fund and the Facility Support Program Levy Fund is obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Marshall County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises should become the property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security to the holders of the bonds.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
1998B	\$ 4,640,000	3.500% - 4.100%
1999	1,635,000	4.000% - 5.000%
2003	680,000	1.800% - 3.450%
2004	12,170,000	3.000% - 5.000%
2007	3,880,000	4.000% - 4.125%
2008	4,005,000	2.200% - 3.300%
2010	509,000	3.625%
2011	9,590,000	2.000% - 2.625%

In 1991 the District entered into a "participation agreement" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The table on the following page sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

In November 2011, the Board issued bonds to advance refund outstanding 2004 School Building Revenue Bonds that were scheduled to mature on or after June 1, 2014. The liabilities for the defeased bonds are not included in the District's financial statements. On June 30, 2013, \$8,220,000 of bonds outstanding is considered defeased. In the Statement of Net Position, the net costs associated with the early retirement of the issue are deferred and amortized over the remaining life of the defeased debt. The amount deferred is reported as a decrease to the book value of the debt issued to finance the refunding. Amortization for the year was \$97,853 and is included as a component of interest expense.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2013 for debt service (principal and interest) are as follows:

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE F – BONDED DEBT AND CAPITAL LEASE OBLIGATIONS – CONTINUED

Year	Marshall County School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2013-2014	\$ 1,097,306	\$ 488,598	\$ 151,694	\$ 92,534	\$ 1,830,132
2014-2015	1,127,320	453,867	157,680	86,840	1,825,707
2015-2016	1,162,057	414,498	163,943	80,835	1,821,333
2016-2017	1,211,496	371,810	169,504	74,512	1,827,322
2017-2018	1,245,669	326,521	176,331	67,906	1,816,427
2018-2019	1,319,094	278,663	163,906	60,970	1,822,633
2019-2020	1,349,242	248,740	169,758	55,266	1,823,006
2020-2021	1,379,156	216,451	175,844	49,292	1,820,743
2021-2022	1,413,884	183,435	182,116	43,096	1,822,531
2022-2023	1,443,360	147,834	188,640	36,611	1,816,445
2023-2024	1,472,632	111,562	195,368	29,887	1,809,449
2024-2025	568,403	72,725	150,597	22,853	814,578
2025-2026	593,539	49,989	156,461	16,920	816,909
2026-2027	618,322	25,506	162,678	10,597	817,103
2027-2028	0	0	32,000	4,024	36,024
2028-2029	0	0	33,000	2,846	35,846
2029-2030	0	0	34,000	1,631	35,631
2030-2031	0	0	28,000	508	28,508
	<u>\$ 16,001,480</u>	<u>\$ 3,390,199</u>	<u>\$ 2,491,520</u>	<u>\$ 737,128</u>	<u>\$ 22,620,327</u>

Interest incurred and charged to expense for fiscal year ended June 30, 2013 was \$711,702.

A summary of changes in long-term debt is as follows:

Type	Balance June 30, 2012	Increase	Decrease	Balance June 30, 2013
Bonds payable	\$ 19,696,000	\$ 0	\$ 1,203,000	\$ 18,493,000
Non-current portion of sick leave	749,250	0	202,455	546,795
Totals	<u>\$ 20,445,250</u>	<u>\$ 0</u>	<u>\$ 1,405,455</u>	<u>\$ 19,039,795</u>

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE G – RETIREMENT PLANS

Plan Descriptions

The Marshall County School District contributes to the Teachers' Retirement System of Kentucky (KTRS) and the County Employee's Retirement System (CERS), both cost-sharing, multiple employer defined benefit pension plans. Certified employees are covered under KTRS and substantially all other employees (classified employees) are covered under CERS. Both plans administer retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE).

The Kentucky Revised Statutes provided for the establishment of both systems and benefit amendments are authorized by the State legislature. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Each plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. The KTRS report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS website at <http://ktrs.ky.gov/>. The CERS report can be obtained by writing to Kentucky Employee's Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

Funding Policy

Contribution rates are established by KRS. Members of KTRS are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contribution of 14.105%. Plan members of CERS are required to contribute 5% of their annual covered salary, and the Marshall County School District provides a contribution of 19.55% of that salary. For employees hired on September 1, 2008, or thereafter, an additional 1% must be contributed to a health insurance account.

Medical Insurance Plan

Plan description – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide access to post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy – In order to fund the post-retirement healthcare benefit, three and one half percent (3.5%) of the gross annual payroll of members before July 1, 2008 is contributed. One and three quarters percent (1.75%) is paid by member contributions and three quarters percent (.75%) is paid from state appropriation and one percent (1.00%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE G – RETIREMENT PLANS – CONTINUED

The Marshall County School District's total payroll for the year was \$25,588,123. The payroll for employees covered under KTRS was \$19,953,522 and for CERS was \$5,114,477. For the year ended June 30, 2013, the Commonwealth contributed \$2,454,781 to KTRS for the benefit of participating employees. The District's contributions to KTRS for the year ended June 30, 2013, was \$196,752, which represents those employees covered by federal programs. The contribution requirement and the amount contributed to CERS for the year ended June 30, 2013 was \$1,265,183 which consisted of \$999,881 from the Board and \$265,302 from the employees. The contributions required and paid for CERS for the years ended June 30, 2012 and 2011 were \$1,298,133 and \$1,193,834, respectively.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

NOTE H – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION

The Kentucky Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2013:

Contributions to Kentucky Teachers' Retirement System	\$ 2,454,781
Technology	77,241
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	<u>4,787,892</u>
Total	<u>\$ 7,319,914</u>

These payments are recorded in the General and Food Service Funds as revenues and expenditures. The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District.

On-behalf contributions were charged to governmental functions as follows:

Instruction	\$ 5,096,668
Support services:	
Student	320,927
Instructional staff	239,008
District administration	71,702
School administration	454,842
Business	224,991
Plant operations and maintenance	362,135
Student transportation	299,847
Food services	<u>249,794</u>
Total	<u>\$ 7,319,914</u>

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE I – COMMITMENTS AND CONTINGENCIES

Grant Contingencies

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

Insurance Contingencies

As noted below, the District has participated in the Kentucky School Boards Insurance Trust (KSBIT) public entity risk pool. In January 2013, officials for KSBIT announced the dissolution of the trust, as well as their plans to collect the accumulated deficit by assessing each of the school districts that procured general liability, property, and workers compensation insurance coverage from KSBIT in the deficit years. Any school district which was a policy holder in the workers compensation pool from 1990 to 2011, and any district which was a policy holder in the property and general liability pool from 1993 to 2011, are subject to the assessment. The formula for the assessment is based upon the school district's length of service in KSBIT, the premiums paid, and the numbers of claims made that were attributable to the school district. KSBIT has submitted a plan to the Kentucky Department of Insurance using a novation option, under which a highly rated reinsurer would assume all of the liabilities of KSBIT and its members for claims for a set amount and would continue making claims payments. The Kentucky Department of Insurance has not yet approved this plan. Until the plan is approved, no assessment will be finalized. Estimated amounts for the District based on the novation plan total approximately \$318,000. The high estimate is approximately \$320,000, while the best estimate is approximately \$246,000. It is anticipated that districts will have the option of making a lump-sum payment of the assessment or using bond financing for up to twenty years.

NOTE J – INSURANCE AND RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Employees of the District were covered by the District's dental and vision self-insurance plan (the "Plan"). The District contributed \$25.86 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Claims were paid by a third party administrator acting on behalf of the District. The administrative contract between the District and the third party administrator is renewable annually and administrative fees are included in the contractual provisions. The costs associated with this self-insurance plan are reported as interfund transactions to the extent of amounts determined to be needed to fund the plan based on past history. Accordingly, they are treated as operating revenues of the Internal Service Fund and operating expenditures of the General, Special Revenue and Proprietary Funds. The liabilities of the Plan are based on estimated claims incurred but not yet reported to the third party administrator.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE K - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2013

NOTE L – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District has no funds with a deficit fund balance at June 30, 2013. The General Fund had \$4,131,829 less in expenditures than appropriations when excluding on-behalf payments of \$7,070,120 which are not required to be budgeted.

NOTE M - TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	Technology Match	\$ 68,333
Operating	Capital Outlay	Debt Service	Debt Service	29,866
Operating	FSPK	Debt Service	Debt Service	1,549,244
Operating	Capital Outlay	General	Capital spending	337,512

NOTE N – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2013 consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Special Revenue Fund	\$ 39,253	\$ 0
Agency Fund	1,787	2,078
Special Revenue Fund:		
General Fund	0	39,253
Agency Fund:		
General Fund	2,078	1,787

NOTE O – LITIGATION

The District is subject to various legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

NOTE P – PRIOR PERIOD ADJUSTMENTS

The net assets in the government-wide statements for the year ended June 30, 2012 did not include the activity of the internal service fund.

	Net Assets
June 30, 2012 balance per prior year audit	\$25,888,831
Cash in internal service fund	333,509
Accounts Payable in internal service fund	(30,338)
June 30, 2012 balance as restated	<u>\$26,192,002</u>

REQUIRED SUPPLEMENTARY INFORMATION

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 6,112,219	\$ 6,413,329	\$ 6,604,461	\$ 191,132
Motor Vehicle	1,010,000	1,010,000	1,112,613	102,613
Utilities	3,165,000	3,165,000	3,245,434	80,434
Occupational license tax	1,500,000	1,700,000	2,078,323	378,323
In Lieu of	1,483,784	1,775,730	1,681,185	(94,545)
Tuition	0	1,933	1,933	0
Earnings on Investments	93,000	107,343	113,931	6,588
Other local revenues	340,500	223,114	249,847	26,733
Intergovernmental - State	15,044,748	15,185,592	22,252,218	7,066,626
Intergovernmental - indirect federal	75,000	108,970	114,987	6,017
TOTAL REVENUES	28,824,251	29,691,011	37,454,932	7,763,921
EXPENDITURES:				
Current:				
Instruction	18,500,694	17,985,590	22,454,307	(4,468,717)
Support Services:				
Student	1,370,520	1,407,761	1,710,984	(303,223)
Instructional Staff	962,789	894,505	1,029,135	(134,630)
District Administration	1,543,571	1,538,159	1,564,394	(26,235)
School Administration	1,684,343	1,628,871	2,025,983	(397,112)
Business	605,751	664,365	919,134	(254,769)
Plant operations and maintenance	4,003,492	3,722,569	3,949,012	(226,443)
Student transportation	2,242,788	2,188,901	2,337,499	(148,598)
Food services	6,886	6,886	3,960	2,926
Community services	25,548	25,463	30,314	(4,851)
Facilities acquisition and construction	0	110,802	110,802	0
Debt service	6,625	6,625	0	6,625
Contingency	1,348,189	3,016,736	0	3,016,736
TOTAL EXPENDITURES	32,301,196	33,197,233	36,135,524	(2,938,291)
Excess (deficit) of revenues over expenditures	(3,476,945)	(3,506,222)	1,319,408	4,825,630
OTHER FINANCING SOURCES (USES):				
Sale or comp for loss of assets	13,000	204,590	203,067	(1,523)
Operating transfers in	458,259	337,512	337,512	0
Operating transfers out	(67,776)	(68,333)	(68,333)	0
TOTAL OTHER FINANCING SOURCES (USES)	403,483	473,769	472,246	(1,523)
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(3,073,462)	(3,032,453)	1,791,654	4,824,107
Fund Balance, July 1, 2012	3,073,462	3,032,453	4,519,088	1,486,635
Fund Balance, June 30, 2013	\$ 0	\$ 0	\$ 6,310,742	\$ 6,310,742

See independent auditor's report and accompanying notes to financial statements

NOTE: The on-behalf payments of \$7,070,120 from the state are included in both revenues and expenditures in the actual column;
however, this amount was not required to be included in the budget.

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Earnings on Investments	\$ 0	\$ 1,011	\$ 2,207	\$ 1,196
Other local revenues	8,896	8,896	31,700	22,804
Intergovernmental - State	1,256,706	1,594,062	1,471,496	(122,566)
Intergovernmental - Indirect federal	2,346,240	2,521,771	2,408,496	(113,275)
TOTAL REVENUES	3,611,842	4,125,740	3,913,899	(211,841)
EXPENDITURES:				
Current:				
Instruction	3,169,725	3,628,948	3,378,854	250,094
Support Services:				
Student support services	0	8,484	8,412	72
Instructional Staff	147,449	134,293	180,443	(46,150)
District admin support	30,247	32,656	33,004	(348)
Student transportation	62,562	123,077	116,566	6,511
Community service activities	269,635	262,385	264,953	(2,568)
TOTAL EXPENDITURES	3,679,618	4,189,843	3,982,232	207,611
Excess (deficit) of revenues over expenditures	(67,776)	(64,103)	(68,333)	(4,230)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	67,776	67,776	68,333	557
TOTAL OTHER FINANCING SOURCES (USES)	67,776	67,776	68,333	557
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	3,673	0	(3,673)
Fund Balance, July 1, 2012	0	0	0	0
Fund Balance, June 30, 2013	\$ 0	\$ 3,673	\$ 0	\$ (3,673)

See independent auditor's report and accompanying notes to financial statements

OTHER SUPPLEMENTARY INFORMATION

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	SEEK Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES:					
Cash and cash equivalents	\$ 138,219	\$ 591,770	\$ 225,956	\$ 97,826	\$ 1,053,771
TOTAL ASSETS AND RESOURCES	<u>\$ 138,219</u>	<u>\$ 591,770</u>	<u>\$ 225,956</u>	<u>\$ 97,826</u>	<u>\$ 1,053,771</u>
LIABILITIES AND FUND BALANCE:					
LIABILITIES:					
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EQUITY AND FUND BALANCES:					
Restricted					
KSFCC escrow	138,219	591,770	0	0	729,989
Construction projects	0	0	225,956	0	225,956
Debt service	0	0	0	97,826	97,826
TOTAL FUND BALANCES	<u>138,219</u>	<u>591,770</u>	<u>225,956</u>	<u>97,826</u>	<u>1,053,771</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$138,219</u>	<u>\$591,770</u>	<u>\$ 225,956</u>	<u>\$ 97,826</u>	<u>\$ 1,053,771</u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	SEEK Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:					
From Local Sources:					
Taxes:					
Property	\$ 0	\$ 1,078,979	\$ 0	\$ 0	\$ 1,078,979
Earnings on Investments	0	0	3,386	210	3,596
Intergovernmental - State	427,378	470,265	0	243,898	1,141,541
TOTAL REVENUES	<u>427,378</u>	<u>1,549,244</u>	<u>3,386</u>	<u>244,108</u>	<u>2,224,116</u>
EXPENDITURES:					
Debt service	0	0	0	1,824,388	1,824,388
TOTAL EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,824,388</u>	<u>1,824,388</u>
Excess (deficit) of revenues over expenditures	<u>427,378</u>	<u>1,549,244</u>	<u>3,386</u>	<u>(1,580,280)</u>	<u>399,728</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	0	0	0	1,579,110	1,579,110
Operating transfers out	(367,378)	(1,549,244)	0	0	(1,916,622)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(367,378)</u>	<u>(1,549,244)</u>	<u>0</u>	<u>1,579,110</u>	<u>(337,512)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>60,000</u>	<u>0</u>	<u>3,386</u>	<u>(1,170)</u>	<u>62,216</u>
Fund Balance, July 1, 2012	<u>78,219</u>	<u>591,770</u>	<u>222,570</u>	<u>98,996</u>	<u>991,555</u>
Fund Balance, June 30, 2013	<u>\$ 138,219</u>	<u>\$ 591,770</u>	<u>\$ 225,956</u>	<u>\$ 97,826</u>	<u>\$ 1,053,771</u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
DEBT SERVICE FUNDS
For the Year Ended June 30, 2013

	2003 BONDS FUND	2004 BONDS FUND	2007 BONDS FUND	2008 BONDS FUND	2010 BONDS FUND	2011 BONDS FUND	NOW ACCOUNT	Totals Debt service Fund
REVENUES:								
From local sources:								
Earnings on investments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 210	\$ 210
Intergovernmental - State	0	38,633	137,109	19,546	35,472	13,138	0	243,898
TOTAL REVENUES	0	38,633	137,109	19,546	35,472	13,138	210	244,108
EXPENDITURES:								
Debt Service:								
Principal	80,000	500,000	90,000	390,000	18,000	125,000	0	1,203,000
Interest	4,140	155,463	140,837	78,038	17,472	225,438	0	621,388
TOTAL EXPENDITURES	84,140	655,463	230,837	468,038	35,472	350,438	0	1,824,388
Excess (deficit) of revenues over expenditures	(84,140)	(616,830)	(93,728)	(448,492)	0	(337,300)	210	(1,580,280)
OTHER FINANCING SOURCES (USES):								
Operating transfers in	82,760	616,830	93,728	448,492	0	337,300	0	1,579,110
TOTAL OTHER FINANCING SOURCES (USES)	82,760	616,830	93,728	448,492	0	337,300	0	1,579,110
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(1,380)	0	0	0	0	0	210	(1,170)
Fund balance July 1, 2012	82,760	548	0	0	0	0	15,688	98,996
Fund balance June 30, 2013	<u>\$ 81,380</u>	<u>\$ 548</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,898</u>	<u>\$ 97,826</u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET--SCHOOL ACTIVITY FUNDS
June 30, 2013

	Benton Elementary	Calvert Elementary	Central Elementary	Jonathan Elementary	Sharpe Elementary	South Elementary
ASSETS:						
Cash and cash equivalents	\$ 36,967	\$ 35,605	\$ 8,881	\$ 36,127	\$ 7,839	\$ 6,872
Accounts Receivable	949	3,095	468	0	0	0
Due from Governmental Funds	0	0	0	0	0	0
TOTAL ASSETS	\$ 37,916	\$ 38,700	\$ 9,349	\$ 36,127	\$ 7,839	\$ 6,872
LIABILITIES:						
Accounts Payable	\$ 3,021	\$ 0	\$ 187	\$ 0	\$ 65	\$ 2,033
Due to Governmental Funds	0	270	0	0	0	0
Due to Student Groups	34,895	38,430	9,162	36,127	7,774	4,839
TOTAL LIABILITIES	\$ 37,916	\$ 38,700	\$ 9,349	\$ 36,127	\$ 7,839	\$ 6,872
NET POSITION HELD IN TRUST	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

See independent auditor's report and accompanying notes to financial statements

Benton Middle	North Middle	South Middle	Marshall County High School	Marshall County Technical Center	Totals (Memorandum Only)
\$ 23,963	\$ 33,526	\$ 16,415	\$ 450,442	\$ 61,204	\$ 717,841
686	1,173	208	8,584	68	15,231
0	0	0	195	1,883	2,078
<u>\$ 24,649</u>	<u>\$ 34,699</u>	<u>\$ 16,623</u>	<u>\$ 459,221</u>	<u>\$ 63,155</u>	<u>\$ 735,150</u>
\$ 2,802	\$ 3,014	\$ 0	\$ 10,220	\$ 2,910	\$ 24,252
0	0	0	1,517	0	1,787
21,847	31,685	16,623	447,484	60,245	709,111
<u>\$ 24,649</u>	<u>\$ 34,699</u>	<u>\$ 16,623</u>	<u>\$ 459,221</u>	<u>\$ 63,155</u>	<u>\$ 735,150</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS
For the Year Ended June 30, 2013

	Benton Elementary	Calvert Elementary	Central Elementary	Jonathan Elementary	Sharpe Elementary	South Elementary
REVENUES:						
From local sources:						
Earnings on Investments	\$ 725	\$ 578	\$ 65	\$ 677	\$ 236	\$ 198
Student activities	99,218	61,612	74,466	80,827	63,529	53,579
Total Revenues	99,943	62,190	74,531	81,504	63,765	53,777
EXPENDITURES						
Student Activities	105,091	67,979	75,603	91,216	67,366	63,258
Total expenditures	105,091	67,979	75,603	91,216	67,366	63,258
Excess (deficit) of revenues over expenditures	(5,148)	(5,789)	(1,072)	(9,712)	(3,601)	(9,481)
Due to student groups, July 1, 2012	40,043	44,219	10,234	45,839	11,375	14,320
Due to student groups, June 30, 2013	<u>\$ 34,895</u>	<u>\$ 38,430</u>	<u>\$ 9,162</u>	<u>\$ 36,127</u>	<u>\$ 7,774</u>	<u>\$ 4,839</u>

See independent auditor's report and accompanying notes to financial statements

Benton Middle	North Middle	South Middle	Marshall County High School	Marshall County Technical Center	Totals (Memorandum only)
\$ 419	\$ 629	\$ 307	\$ 6,412	\$ 783	\$ 11,029
104,664	141,249	80,560	843,991	86,282	1,689,977
105,083	141,878	80,867	850,403	87,065	1,701,006
103,363	139,331	74,201	754,333	77,783	1,619,524
103,363	139,331	74,201	754,333	77,783	1,619,524
1,720	2,547	6,666	96,070	9,282	81,482
20,127	29,138	9,957	351,414	50,963	627,629
\$ 21,847	\$ 31,685	\$ 16,623	\$ 447,484	\$ 60,245	\$ 709,111

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS
MARSHALL COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2013

	Cash Balance	Receipts		Disbursements	
	July 1, 2012	Actual	Budget	Actual	Budget
Student Fees	\$ 1,235.61	\$ 19,390.08	\$ 27,000.00	\$ 17,463.33	\$ 25,000.00
Interest	84,515.00	95,412.91	30,000.00	55,327.04	25,000.00
MC Mason Benefit Fund	2,024.15	1,432.72	3,614.34	1,306.16	2,000.00
Student Activity	772.52	1,186.75	5,591.80	1,743.49	4,500.00
Student Incentive	50.00	500.00	500.00	400.00	500.00
Academic Celebration	552.50	0.00	1,000.00	527.54	200.00
Student Benefit Fund	620.47	0.00	0.00	226.00	0.00
Student ID Fund	1,613.29	260.00	80.00	0.00	50.00
Book Fees	40,787.53	34,626.61	30,000.00	25,334.99	30,000.00
Parking	682.72	2,090.00	800.00	1,182.97	800.00
Academic	58.46	6,491.01	200.00	4,748.13	150.00
Administration	200.93	3,633.19	4,000.00	3,579.98	4,000.00
Beta/NHS Club	1,441.83	1,126.65	2,176.83	120.00	450.00
Business Management	61.13	320.00	154.95	320.00	0.00
Card Mania Club	0.00	130.85	0.00	126.34	0.00
Club Interact	183.50	0.00	0.00	91.14	0.00
Dream Green	342.60	0.00	200.00	0.00	200.00
Drama Club	5,777.51	2,430.00	8,252.21	2,235.86	2,946.00
Drama Musical	6,768.49	0.00	8,832.34	502.20	2,785.00
FEA Club	2,992.03	1,556.87	2,000.00	1,761.62	1,729.00
FBLA	1,072.40	8,684.69	8,550.00	8,145.49	6,605.00
FFA	15,385.75	31,175.99	10,150.00	26,156.28	25,150.00
Purchase Region FFA	4,860.25	7,515.00	0.00	12,375.25	0.00
Hometown Scholarship	3,019.76	0.00	0.00	0.00	0.00
French Club	105.97	2,052.00	900.00	2,146.63	840.00
Marshall Girls	6,204.59	10,357.65	12,500.00	14,464.07	3,990.00
Marshall Militia (Pep)	2,084.75	7,697.00	6,200.00	6,447.32	4,750.00
Science Club	2,052.09	0.00	0.00	2,052.09	0.00
Science Dept.	628.49	0.00	0.00	628.49	0.00
Science Olympiad	557.18	3,063.00	980.00	2,668.82	895.00
Spanish Club	458.63	688.84	660.00	533.57	550.00
Student Council	284.69	866.38	1,770.00	956.54	1,060.00
Agriculture	0.00	1,500.00	1,750.00	1,500.00	1,600.00
Technology Fund	415.31	153.60	60.00	0.00	0.00
Art II	498.02	2,970.00	2,000.00	2,821.77	2,000.00
Art I	284.31	4,550.50	3,000.00	4,633.56	3,000.00
The Bass Club	40.80	3,739.38	3,000.00	1,719.48	3,000.00
Band	402.13	12,100.31	700.00	12,368.28	500.00
Internet Fund	1,859.37	14.00	0.00	168.12	50.00
History/Govt. Trip	1,224.46	9,590.92	650.00	9,415.42	650.00
FCCLA	19,116.76	24,955.44	5,050.00	23,843.60	5,050.00
Go Club	189.80	0.00	0.00	0.00	0.00
Journalism	0.10	210.07	0.00	0.00	0.00
JCA	232.84	145.00	225.00	0.00	140.00
Library Dept.	964.16	3,367.51	2,050.00	3,592.58	1,800.00
Leadership Dynamics	0.00	417.54	0.00	0.00	0.00
Speech Team	955.14	5,312.66	2,500.00	5,379.08	2,500.00
MC Special Olympics	0.00	649.06	400.00	360.76	400.00
Music/Choir	1,884.65	3,277.37	800.00	3,838.47	650.00
Mock Trial	500.00	160.00	650.00	0.00	150.00
TV Studio	10.00	0.00	200.00	0.00	10.00
Young Conservative	285.64	317.18	800.00	289.74	400.00
Young Liberals	97.65	50.00	500.00	0.00	100.00
One Chance Club	5.37	0.00	0.00	0.00	0.00
Write Now Club	6.60	0.00	0.00	0.00	0.00
Real World Publishing	5,428.36	1,731.95	2,000.00	3,201.76	1,700.00
Sball Maint. Account	0.00	3,470.00	0.00	0.00	0.00
Cheer Regional	0.00	4,475.00	0.00	4,351.23	0.00
Athletic Scholarship	2,000.00	2,000.00	0.00	2,000.00	0.00
Bball District	2,801.66	0.00	0.00	0.00	0.00
Athletics	12,362.60	144,029.75	165,000.00	144,453.39	122,859.19
Athletics-Tennis (A)	961.25	970.59	600.00	860.16	600.00
Athletics-Boys Basketball (A)	192.89	13,046.62	6,185.00	12,656.98	5,550.00
Athletics-Volleyball (A)	3,078.19	1,421.49	3,078.19	0.00	3,000.00
Athletics-Girls Basketball (A)	5,952.74	42,255.47	6,400.00	36,589.73	1,200.00

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS
MARSHALL COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2013

	Cash Balance July 1, 2012	Receipts		Disbursements	
		Actual	Budget	Actual	Budget
Athletics-Boys Golf (A)	551.90	829.54	1,325.00	1,246.13	600.00
Athletics-Football (A)	78.15	10,710.07	1,500.00	10,560.43	1,500.00
Athletics-Baseball (A)	0.00	2,965.66	6,080.00	1,820.82	5,800.00
Athletics - Girls Soccer (A)	1,932.73	6,935.88	4,300.00	6,383.40	3,592.16
Athletics-Boys Soccer (A)	3,034.11	10,427.03	6,000.00	11,358.17	4,900.00
Athletics-Track (A)	461.78	2,190.00	4,750.00	2,423.55	4,700.00
Athletics - Softball (A)	509.54	4,025.99	600.00	3,604.72	560.00
Athletics-Cross Country (A)	2,356.64	504.84	100.00	552.00	200.00
Athletics - Hoop Fest	38,037.90	116,900.61	81,100.00	82,824.88	62,400.00
Athletics - Alliance Bowl	13,248.24	0.00	6,000.00	8,971.00	0.00
Athletics-B/G District Soccer	6,961.58	10,846.40	0.00	15,777.35	0.00
Athletics-Soccer Subsectional	71.15	1,860.60	0.00	0.00	0.00
Athletics-Girls Golf (A)	72.00	53.18	750.00	3.18	675.00
Athletics-Swim Fund (A)	0.00	229.37	600.00	0.00	600.00
Athletics - Baseball (B)	0.00	1,750.00	1,750.00	1,750.00	1,750.00
Athletics-Girls Basketball (B)	0.00	10,161.26	10,709.16	10,161.26	10,709.16
Athletics-Boys Basketball (B)	0.00	10,709.16	10,000.00	10,709.16	10,000.00
Athletics-Football (B)	0.00	19,927.55	19,927.55	19,927.55	19,927.55
Athletics - Golf (B)	0.00	750.00	750.00	750.00	750.00
Athletics-Girls Golf (B)	0.00	910.54	750.00	906.00	750.00
Athletics - Boys Soccer (B)	0.00	3,486.66	4,736.66	3,486.66	4,075.00
Athletics - Girls Soccer (B)	0.00	3,770.16	3,486.66	3,770.16	3,486.66
Athletics - Softball (B)	0.00	1,750.00	1,750.00	1,750.00	1,750.00
Athletics - Swim Team (B)	0.00	500.00	500.00	321.76	500.00
Athletics - Tennis (B)	0.00	700.00	700.00	700.00	700.00
Athletics - Volleyball (B)	1,082.15	1,925.00	1,540.00	1,948.01	1,540.00
Athletics-Track (B)	0.00	3,000.00	4,000.00	3,000.00	2,665.00
Athletics - Cross Country (B)	0.00	2,000.00	2,000.00	1,950.80	2,000.00
Cheer Competition	4,043.46	16,609.03	29,350.00	14,207.93	13,620.00
Cheer Spirit	2,090.50	15,539.35	0.00	14,910.54	0.00
Athletics - Middle School	712.87	1,810.24	1,380.00	1,386.70	1,510.00
Athletics - MS Football	0.00	5,160.00	5,160.00	4,342.74	5,130.00
Athletics - MS Soccer	1,371.81	4,440.00	4,440.00	5,761.93	4,440.00
Athletics - MS Softball	68.88	2,410.58	2,400.00	2,407.46	2,400.00
Athletics - MS Track	0.00	1,520.82	3,750.00	1,520.82	3,750.00
Athletics - MS Cross Country	488.07	1,671.93	840.00	2,090.00	832.00
Junior/Senior Class	5,789.70	11,235.00	0.00	7,196.60	0.00
Project Graduation	3,629.03	13,915.00	15,000.00	14,622.59	3,450.00
Annual	32,739.52	33,520.00	32,000.00	61,604.34	30,250.00
Green Alliance	180.48	0.00	0.00	0.00	0.00
Guidance Testing	4,130.49	27,059.27	10,850.00	24,905.13	10,850.00
Fine Arts Fund	6,712.17	1,180.00	500.00	1,035.84	500.00
Fine Arts Scholarship	5,746.02	0.00	500.00	0.00	500.00
Less: Interfund Transfers	0.00	86,427.44	0.00	86,427.44	0.00
Total	\$ 385,246.49	\$ 851,132.88	\$ 655,585.69	\$ 785,937.62	\$ 524,421.72

See independent auditor's report and accompanying notes to financial statements

	Cash Balance June 30, 2013	Accounts Receivable	Accounts Payable	Due to June 30, 2013
Student Fees	\$ 3,162.36	\$ 229.75	\$ 1,043.77	\$ 2,348.34
Interest	124,600.87	311.99	4,360.37	120,552.49
MC Mason Benefit Fund	2,150.71	0.00	0.00	2,150.71
Student Activity	215.78	80.00	0.00	295.78
Student Incentive	150.00	0.00	0.00	150.00
Academic Celebration	24.96	0.00	0.00	24.96
Student Benefit Fund	394.47	0.00	0.00	394.47
Student ID Fund	1,873.29	0.00	0.00	1,873.29
Book Fees	50,079.15	1,347.00	58.00	51,368.15
Parking	1,589.75	0.00	0.00	1,589.75
Academic	1,801.34	0.00	0.00	1,801.34
Administration	254.14	0.00	0.00	254.14
Beta/NHS Club	2,448.48	0.00	0.00	2,448.48
Business Management	61.13	0.00	0.00	61.13
Card Mania Club	4.51	0.00	0.00	4.51
Club Interact	92.36	0.00	0.00	92.36
Dream Green	342.60	0.00	0.00	342.60
Drama Club	5,971.65	0.00	0.00	5,971.65
Drama Musical	6,266.29	0.00	0.00	6,266.29
FEA Club	2,787.28	0.00	0.00	2,787.28
FBLA	1,611.60	0.00	0.00	1,611.60
FFA	20,405.46	5,305.96	2,684.10	23,027.32
Purchase Region FFA	0.00	0.00	0.00	0.00
Hometown Scholarship	3,019.76	0.00	0.00	3,019.76
French Club	11.34	0.00	0.00	11.34
Marshall Girls	2,098.17	0.00	0.00	2,098.17
Marshall Militia (Pep)	3,334.43	0.00	0.00	3,334.43
Science Club	0.00	0.00	0.00	0.00
Science Dept.	0.00	0.00	0.00	0.00
Science Olympiad	951.36	0.00	0.00	951.36
Spanish Club	613.90	0.00	0.00	613.90
Student Council	194.53	0.00	0.00	194.53
Agriculture	0.00	0.00	0.00	0.00
Technology Fund	568.91	0.00	0.00	568.91
Art II	646.25	200.00	0.00	846.25
Art I	201.25	105.00	0.00	306.25
The Bass Club	2,060.70	0.00	49.00	2,011.70
Band	134.16	0.00	0.00	134.16
Internet Fund	1,705.25	0.00	0.00	1,705.25
History/Govt. Trip	1,399.96	0.00	0.00	1,399.96
FCCLA	20,228.60	436.00	0.00	20,664.60
Go Club	189.80	0.00	0.00	189.80
Journalism	210.17	0.00	0.00	210.17
JCA	377.84	0.00	0.00	377.84
Library Dept.	739.09	0.00	202.28	536.81
Leadership Dynamics	417.54	0.00	0.00	417.54
Speech Team	888.72	0.00	0.00	888.72
MC Special Olympics	288.30	0.00	0.00	288.30
Music/Choir	1,323.55	135.00	0.00	1,458.55
Mock Trial	660.00	0.00	0.00	660.00
TV Studio	10.00	0.00	0.00	10.00
Young Conservative	313.08	0.00	0.00	313.08
Young Liberals	147.65	0.00	0.00	147.65
One Chance Club	5.37	0.00	0.00	5.37
Write Now Club	6.60	0.00	0.00	6.60
Real World Publishing	3,958.55	180.50	0.00	4,139.05
Sball Maint. Account	3,470.00	0.00	0.00	3,470.00
Cheer Regional	123.77	0.00	0.00	123.77
Athletic Scholarship	2,000.00	0.00	0.00	2,000.00
Bball District	2,801.66	0.00	0.00	2,801.66
Athletics	11,938.96	132.33	390.93	11,680.36
Athletics-Tennis (A)	1,071.68	0.00	0.00	1,071.68
Athletics-Boys Basketball (A)	582.53	0.00	355.80	226.73
Athletics-Volleyball (A)	4,499.68	0.00	0.00	4,499.68
Athletics-Girls Basketball (A)	11,618.48	0.00	2,299.18	9,319.30

	Cash Balance June 30, 2013	Accounts Receivable	Accounts Payable	Due to June 30, 2013
Athletics-Boys Golf (A)	135.31	0.00	0.00	135.31
Athletics-Football (A)	227.79	0.00	0.00	227.79
Athletics-Baseball (A)	1,144.84	0.00	0.00	1,144.84
Athletics - Girls Soccer (A)	2,485.21	0.00	293.50	2,191.71
Athletics-Boys Soccer (A)	2,102.97	0.00	0.00	2,102.97
Athletics-Track (A)	228.23	0.00	0.00	228.23
Athletics - Softball (A)	930.81	0.00	0.00	930.81
Athletics-Cross Country (A)	2,309.48	0.00	0.00	2,309.48
Athletics - Hoop Fest	72,113.63	0.00	0.00	72,113.63
Athletics - Alliance Bowl	4,277.24	0.00	0.00	4,277.24
Athletics-B/G District Soccer	2,030.63	0.00	0.00	2,030.63
Athletics-Soccer Subsectional	1,931.75	0.00	0.00	1,931.75
Athletics-Girls Golf (A)	122.00	0.00	0.00	122.00
Athletics-Swim Fund (A)	229.37	0.00	0.00	229.37
Athletics - Baseball (B)	0.00	0.00	0.00	0.00
Athletics-Girls Basketball (B)	0.00	0.00	0.00	0.00
Athletics-Boys Basketball (B)	0.00	0.00	0.00	0.00
Athletics-Football (B)	0.00	0.00	0.00	0.00
Athletics - Golf (B)	0.00	0.00	0.00	0.00
Athletics-Girls Golf (B)	4.54	0.00	0.00	4.54
Athletics - Boys Soccer (B)	0.00	0.00	0.00	0.00
Athletics - Girls Soccer (B)	0.00	0.00	0.00	0.00
Athletics - Softball (B)	0.00	0.00	0.00	0.00
Athletics - Swim Team (B)	178.24	0.00	0.00	178.24
Athletics - Tennis (B)	0.00	0.00	0.00	0.00
Athletics - Volleyball (B)	1,059.14	0.00	0.00	1,059.14
Athletics-Track (B)	0.00	0.00	0.00	0.00
Athletics - Cross Country (B)	49.20	0.00	0.00	49.20
Cheer Competition	6,444.56	0.00	0.00	6,444.56
Cheer Spirit	2,719.31	0.00	0.00	2,719.31
Athletics - Middle School	1,136.41	0.00	0.00	1,136.41
Athletics - MS Football	817.26	0.00	0.00	817.26
Athletics - MS Soccer	49.88	0.00	0.00	49.88
Athletics - MS Softball	72.00	0.00	0.00	72.00
Athletics - MS Track	0.00	0.00	0.00	0.00
Athletics - MS Cross Country	70.00	0.00	0.00	70.00
Junior/Senior Class	9,828.10	0.00	0.00	9,828.10
Project Graduation	2,921.44	215.00	0.00	3,136.44
Annual	4,655.18	100.00	0.00	4,755.18
Green Alliance	180.48	0.00	0.00	180.48
Guidance Testing	6,284.63	0.00	0.00	6,284.63
Fine Arts Fund	6,856.33	0.00	0.00	6,856.33
Fine Arts Scholarship	5,746.02	0.00	0.00	5,746.02
Less:Interfund Transfers	0.00	0.00	0.00	0.00
Total	<u>\$ 450,441.75</u>	<u>\$ 8,778.53</u>	<u>\$ 11,736.93</u>	<u>\$ 447,483.35</u>

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION--ALL PRIVATE PURPOSE TRUST FUNDS
June 30, 2013

	Benton High Alumni	Don Buffington Memorial	Lola Collier	Coy Creason Memorial	John Draffen	Genoa Filbeck	Robert Glick Memorial	William Heath	Charles Hensley	J. Burnett Holland
ASSETS:										
Cash and cash equivalents	\$ 4,015	\$ 56,308	\$ 27,446	\$ 5,743	\$ 1,016	\$ 26,692	\$ 1,158	\$ 32,581	\$ 4,856	\$ 30,758
TOTAL ASSETS	<u>\$ 4,015</u>	<u>\$ 56,308</u>	<u>\$ 27,446</u>	<u>\$ 5,743</u>	<u>\$ 1,016</u>	<u>\$ 26,692</u>	<u>\$ 1,158</u>	<u>\$ 32,581</u>	<u>\$ 4,856</u>	<u>\$ 30,758</u>
NET POSITION HELD IN TRUST	<u>\$ 4,015</u>	<u>\$ 56,308</u>	<u>\$ 27,446</u>	<u>\$ 5,743</u>	<u>\$ 1,016</u>	<u>\$ 26,692</u>	<u>\$ 1,158</u>	<u>\$ 32,581</u>	<u>\$ 4,856</u>	<u>\$ 30,758</u>

See independent auditor's report and accompanying notes to financial statements

Holland Rose	W. & L. Holland Memorial	Landon Lovett Memorial	Steve Martin	Anthony McCarty	Mary Alice Newton	Andy Riley	Charlie & Cora Walker	North Marshall Alumni	Buddy Poe Memorial	Reed Vocational Technical	Totals (Memorandum Only)
\$ 3,007	\$ 106,513	\$ 3,900	\$ 7,975	\$ 77	\$ 1,012	\$ 7,845	\$ 7,118	\$ 1,099	\$ 3,727	\$ 0	\$ 332,846
<u>\$ 3,007</u>	<u>\$ 106,513</u>	<u>\$ 3,900</u>	<u>\$ 7,975</u>	<u>\$ 77</u>	<u>\$ 1,012</u>	<u>\$ 7,845</u>	<u>\$ 7,118</u>	<u>\$ 1,099</u>	<u>\$ 3,727</u>	<u>\$ 0</u>	<u>\$ 332,846</u>
<u>\$ 3,007</u>	<u>\$ 106,513</u>	<u>\$ 3,900</u>	<u>\$ 7,975</u>	<u>\$ 77</u>	<u>\$ 1,012</u>	<u>\$ 7,845</u>	<u>\$ 7,118</u>	<u>\$ 1,099</u>	<u>\$ 3,727</u>	<u>\$ 0</u>	<u>\$ 332,846</u>

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION HELD IN TRUST
ALL PRIVATE PURPOSE TRUST FUNDS
For the Year Ended June 30, 2013

	Benton High Alumni	Don Buffington Memorial	Lola Collier	Coy Creason Memorial	John Draffen	Genoa Filbeck	Robert Glick Memorial	William Heath	Charles Hensley	J. Burnett Holland
REVENUES:										
From local sources:										
Earnings on Investments	\$ 54	\$ 799	\$ 353	\$ 74	\$ 18	\$ 639	\$ 17	\$ 421	\$ 65	\$ 378
Contributions	0	2,310	0	0	0	0	0	0	100	2,500
Total Revenues	54	3,109	353	74	18	639	17	421	165	2,878
EXPENDITURES										
Fundraising expenses	0	1,046	0	0	0	0	0	0	0	0
Benefits paid	500	500	500	250	1,000	0	300	1,125	500	500
Total expenditures	500	1,546	500	250	1,000	0	300	1,125	500	500
Excess (deficit) of revenues over expenditures	(446)	1,563	(147)	(176)	(982)	639	(283)	(704)	(335)	2,378
Net Assets Held in Trust at July 1, 2012	4,461	54,745	27,593	5,919	1,998	26,053	1,441	33,285	5,191	28,380
Net Assets Held in Trust at June 30, 2013	<u>\$ 4,015</u>	<u>\$ 56,308</u>	<u>\$ 27,446</u>	<u>\$ 5,743</u>	<u>\$ 1,016</u>	<u>\$ 26,692</u>	<u>\$ 1,158</u>	<u>\$ 32,581</u>	<u>\$ 4,856</u>	<u>\$ 30,758</u>

See independent auditor's report and accompanying notes to financial statements

Holland Rose	W. & L. Holland Memorial	Landon Lovett Memorial	Steve Martin	Anthony McCarty	Mary Alice Newton	Andy Riley	Charlie & Cora Walker	North Marshall Alumni	Buddy Poe Memorial	Reed Vocational Technical	Totals (Memorandum Only)
\$ 38 0	\$ 1,364 0	\$ 19 3,881	\$ 106 0	\$ 1 0	\$ 8 1,000	\$ 103 0	\$ 96 0	\$ 14 0	\$ 35 1,500	\$ 0 15,610	\$ 4,602 26,901
38	1,364	3,900	106	1	1,008	103	96	14	1,535	15,610	31,503
0	0	0	0	0	0	0	0	0	0	0	1,046
0	1,000	0	500	0	1,000	500	1,000	0	500	15,610	25,285
0	1,000	0	500	0	1,000	500	1,000	0	500	15,610	26,331
38	364	3,900	(394)	1	8	(397)	(904)	14	1,035	0	5,172
2,969	106,149	0	8,369	76	1,004	8,242	8,022	1,085	2,692	0	327,674
<u>\$ 3,007</u>	<u>\$ 106,513</u>	<u>\$ 3,900</u>	<u>\$ 7,975</u>	<u>\$ 77</u>	<u>\$ 1,012</u>	<u>\$ 7,845</u>	<u>\$ 7,118</u>	<u>\$ 1,099</u>	<u>\$ 3,727</u>	<u>\$ 0</u>	<u>\$ 332,846</u>

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Education:</u>			
Passed Through State Dept. of Education:			
Special Education Grants to States	84.027	3810002-12 & 11	\$ 865,135
Special Education Preschool Grants	84.173	3800002-12	58,392
Total Special Education Cluster			<u>923,527</u>
Title I Grants to Local Educational Agencies	84.010	3100002-12, 11 & 10	953,171
Total Title I, Part A Cluster			<u>953,171</u>
Education Jobs Fund	84.410	EJOB00-10	6,446
Race to the Top	84.413	3960002-11	22,056
Improving Teacher Quality State Grants	84.367	3230002-12 & 11	220,058
Career and Technical Education Basic Grants to States	84.048	4621110-10, 4621032-11, 4621132-10, 4621232-11, 4621310-13, 4621332-13 & 12	34,747
Passed through State Workforce Cabinet:			
Adult Education State Grant Program	84.002	3732, 3733S, 3733, & 3653	84,178
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>2,244,183</u>
<u>U.S. Department of Health & Human Services:</u>			
Passed Through State Dept. of Education:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	2000001-12	150
Passed through Murray Board of Education:			
Head Start	93.600	6553	165,790
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			<u>165,940</u>
<u>U.S. Department of Agriculture:</u>			
Passed through State Dept. of Education:			
National School Lunch Program - cash	10.555	7750002-13 & 12	1,045,960
National School Lunch Program - donated foods (Note B)	10.555	N/A	161,192
School Breakfast Program	10.553	7760005-13 & 12	338,932
Total Child Nutrition Cluster			<u>1,546,084</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>1,546,084</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 3,956,207</u>

See accompanying notes to schedule
of expenditures of federal awards

MARSHALL COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2013

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Marshall County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2013 is combined with purchased food inventory. The pass-through number for the commodities program was not available for the Schedule of Expenditures of Federal Awards.

NOTE C – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS

The following is a reconciliation of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 13 of the audit report and in the statement of revenues, expenses, and changes in net assets – proprietary funds on page 16 of the audit report:

Total intergovernmental – indirect federal from page 13	\$	2,523,483
Total federal grants from page 16		1,384,892
Donated commodities from page 16		161,192
Plus: Amount of federal codes coded as a negative expenditure		1,627
Less: Amount of federal funds received as services, such as Medicaid		<u>(114,987)</u>
Total on page 47	\$	<u>3,956,207</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits
and Members of the Board of Education
Marshall County School District
Benton, Kentucky

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Kentucky Public School District's Independent Auditor's Contract, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marshall County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Marshall County School District's basic financial statements, and have issued my report thereon dated November 11, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Marshall County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marshall County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Marshall County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Marshall County School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Kentucky Public School District's Independent Auditor's Contract*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky
November 11, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Kentucky State Committee for School District Audits
and Members of the Board of Education
Marshall County School District
Benton, Kentucky

Report on Compliance for Each Major Federal Program

I have audited the Marshall County School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Marshall County School District's major federal programs for the year ended June 30, 2013. Marshall County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Marshall County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Kentucky Public School District's Independent Auditor's Contract, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marshall County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Marshall County School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Marshall County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Marshall County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Marshall County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Marshall County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Kim Glan". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky
November 11, 2013

**MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013**

I. SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of the Marshall County School District.
2. No significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Marshall County School District were disclosed during the audit.
4. No significant deficiencies in internal control over the major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Marshall County School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 relative to the major federal award programs for Marshall County School District.
7. The programs tested as major programs included:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Special Education Cluster:	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
Child Nutrition Cluster:	
National School Lunch Program	10.555
School Breakfast Program	10.553

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Marshall County School District did qualify as a low-risk auditee.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the current year required to be reported in this schedule.

III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the current year required to be reported in this schedule.

**MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2013**

I. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the prior year required to be reported in this schedule.

II. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the prior year required to be reported in this schedule.

MANAGEMENT LETTER POINTS

Kentucky State Committee for School District Audits
and Members of the Board of Education of
Marshall County School District
Benton, Kentucky

I have audited the financial statements of the Marshall County School District for the year ended June 30, 2013, and have issued my report thereon dated November 11, 2013. In planning and performing my audit of the financial statements of Marshall County School District, I considered the District's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls or operating efficiency. These comments and recommendations have been discussed with the appropriate members of management and are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. These comments are summarized on the following pages.

This report is intended solely for the Board, management, and others within the organization as deemed appropriate.

Respectfully,

Benton, Kentucky
November 11, 2013

**MARSHALL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**
June 30, 2013

UNCORRECTED PRIOR YEAR COMMENTS

Jonathan Elementary – In the prior year, we noted one inventory control worksheet for which the beginning inventory was not the same as the prior month ending inventory. In the current year, inventory control worksheets were not used at all.

Sharpe Elementary – In the prior year, we noted five multiple receipt forms that were not properly completed. As noted in the current year comments, some multiple receipt forms were still not completed properly.

South Marshall Elementary – In the prior year, we noted the multiple receipt forms were not being used properly. On some forms, it appeared that the form was used to list the teachers' names with a total collected from that teacher. Other forms were completed by various teachers with a list of checks, but for the cash received, only a total was listed instead of individual student names on each line of the form. As noted in the current year comments, some multiple receipt forms were still not completed properly.

North Marshall Middle – In the prior year, we were unable to trace the deliveries of drinks listed on the inventory control worksheet to an invoice and one collection amount was listed at \$610.95, while the actual deposit was \$585.95. The difference on the sheet tested was a shortage of \$750.55, with no explanations noted. As noted in the current year comments, these forms are still not being correctly completed.

CORRECTED PRIOR YEAR COMMENTS

Benton Elementary – In the prior year, we noted two instances where one teacher did not complete a multiple receipt form in the correct manner. We also noted sales tax included in a reimbursement to a teacher for the purchase of a snow cone machine. In the current year, we noted that multiple receipt forms are being properly completed; however, copies are not always retained by the treasurer, as noted in the current year comments. We also did not note sales tax paid on any disbursement tested in the current year.

Calvert Elementary – In the prior year, we noted that one individual activity account ended the fiscal year with a deficit balance of \$99.00. In the current year, no accounts ended the year with a deficit balance.

Central Elementary – In the prior year, we noted that FSA-10 forms for interfund transfers were not signed by the principal and in some cases the sponsor had not signed the form. In the current year, we noted proper signatures on all forms examined. Also in the prior year, we noted one disbursement to the Board for which the only supporting documentation was an email from the Board's accounts payable clerk stating there was a charge made on the Board credit card to Holiday World for \$607.55. In the current year, proper documentation was retained for such reimbursements.

Jonathan Elementary – In the prior year, we noted that FSA-10 forms for interfund transfers were not approved by the transferring fund's sponsor. In the current year, we noted proper signatures when needed. We also noted one individual activity account that ended the fiscal year with a deficit balance of \$10.49. In the current year, no activity accounts ended the year with a deficit balance.

Sharpe Elementary – In the prior year, inventory control worksheets were not being used for the sale of pencils. In the current year, we noted that the form is being used for the sale of pencils. Also in the prior year, we noted the detail documentation attached to one credit card statement did not match the charges on the card. After discussing this with the treasurer, it was noted that there was more than one credit card and the sign-out sheet did not indicate which card was being used. In the current year, the sign-out sheet matched the credit card that was used.

**MARSHALL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
June 30, 2013**

CORRECTED PRIOR YEAR COMMENTS (Continued)

South Marshall Elementary – When attempting to compare anticipated fundraiser collections with actual amounts deposited in the prior year, we could not always match the two amounts. In the current year, we noted that deposits from fundraisers and book fairs matched the anticipated amount to be collected.

Benton Middle – When examining the inventory control worksheets in the prior year, we noted that the section for deliveries listed the purchase price of the items instead of the sales price; therefore the shortage was not accurate. In the current year, the sheets were correctly completed.

South Middle – In the prior year, we noted that the only documentation for concessions sold was a form that was signed by the person turning in the funds that only listed the total being remitted. In the current year, the inventory control worksheet was properly used for concessions.

Marshall County Technical Center – When examining FSA-10 forms for interfund transfers in the prior year, we noted some that were not signed as approved by either the principal or the sponsor. In the current year, we noted that all transfer forms tested were properly signed.

CURRENT YEAR COMMENTS

Benton Elementary

Cash Receipts Procedures: When examining documentation for cash receipts, we noted two instances where a copy of the multiple receipt form was not retained by the treasurer. She was able to obtain a copy of one that was missing from the teacher who still had her copy; however, the other teacher had discarded the original forms that should have been retained. Another multiple receipt form was not signed by the person remitting the funds. We recommend that the original forms be retained by the person collecting the funds and a copy be retained by the treasurer. All forms should be signed by the person remitting the money and by the school treasurer.

Also in our search for accounts receivable after year end, it was noted that some funds deposited during August 2013 were noted as being “found” with documentation showing that the money was received during April and May. This amount totaled approximately \$900.00. This indicates either that funds are being held by the teachers and not being turned in to the treasurer each day or that cash receipt tickets are not always prepared at the time funds are remitted. Each person collecting funds should remit the money to the treasurer on a daily basis and should wait until the treasurer has counted the money and prints a receipt. A copy of the receipt should then be given to the person remitting the funds.

Management’s Response: In regards to paragraph one, the teachers did turn in multiple receipt forms that were signed and dated along with their money; however they did not list all students individually on the multiple receipt form. I went back to both teachers. One had kept the sheets listing the students’ names but the other had already tossed them because they were from the previous year. Regarding the unsigned multiple receipt form, I should have caught that upon counting the money. This was an oversight. Teachers have been re-educated on proper use of the multiple receipt form.

In regards to paragraph two, the “found” money was from yearbook sales back in the spring. The yearbook advisors had the money locked up since I was gone that day and forgot to tell me about it. It was discovered at the beginning of the year. It had a multiple receipt form correctly filled out along with the money. The deposit was not made timely because I was not aware there was money that needed to be deposited. I always deposit daily if over \$100 and would never hold that amount of money that length of time.

**MARSHALL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
June 30, 2013**

CURRENT YEAR COMMENTS (Continued)

Benton Elementary (Continued)

Cash Disbursements Procedures: When examining documentation for disbursements, we noted a reimbursement to one teacher that was supported by receipts showing the amount reimbursed; however, we recommend that form F-SA-9 be used to document reimbursements paid to individuals, with the receipts attached to the form. We also noted one meal receipt that was not itemized. Meal receipts should be itemized to show what was purchased, how many people ate, and should list the purpose of the meal, such as whether it was for out of district travel, a meeting, or other purpose.

Management's Response: In response to the teacher reimbursement, I was not aware that a standard invoice was to be signed when the check was given to the teacher. I will start using the standard invoice when issuing a reimbursement.

Regarding the meal receipt, the principal took the SBDM committee to dinner for their final meeting. She didn't ask for the itemized page from the order pad. She now knows that each charge receipt needs to be itemized, state the number of people eating and include the purpose.

Deficit Balance: The Summer Reading activity fund ended the year with a deficit balance. The Red Book prohibits individual activity accounts from ending with a deficit balance. Interfund transfers should be used prior to year end when this situation occurs.

Management's Response: I should have caught this when reviewing for the audit. The Summer Reading Challenge was depleted when they took their trip. PTO gave us the money for the trip but I deposited it to the General Fund account instead of the Summer Reading account, therefore causing the account to end with a deficit balance. The money was there but deposited to the wrong account.

Calvert City Elementary

Cash Receipts Procedures: When examining documentation for cash receipts, we noted five instances where the multiple receipt form was not signed by the students or other individuals turning in the money. In some cases, there was a list of the children's names, with the ones highlighted that turned in money or with amounts listed next to the pre-printed name. The new Red Book does indicate that students below third grade are not required to sign the form; however, it would be helpful to indicate on the form which grade the form is being used for so that we will know that it is acceptable.

Also in our search for accounts receivable after year end, it was noted that some funds deposited during August 2013 were checks for yearbooks and other items that were dated from March through May, as well as money with a multiple receipt form that was dated in May. This amount totaled approximately \$500.00. This indicates either that funds are being held by the teachers and not being turned in to the treasurer each day or that cash receipt tickets are not always prepared at the time funds are remitted. Each person collecting funds should remit the money to the treasurer on a daily basis and should wait until the treasurer has counted the money and prints a receipt. A copy of the receipt should then be given to the person remitting the funds.

Management's Response: Multiple receipt forms will clearly show the grade submitting the money. Any money turned in by students of grades three and up will have the student's initials, which we were told was adequate.

Teachers will be encouraged to turn in money daily. I will make every effort possible to count and deposit money the day it is submitted.

**MARSHALL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
June 30, 2013**

CURRENT YEAR COMMENTS (Continued)

Calvert City Elementary (Continued)

Cash Disbursements Procedures: When examining documentation for disbursements, we noted two reimbursements to individuals that were supported by receipts showing the amount reimbursed; however, we recommend that form F-SA-9 be used to document reimbursements paid to individuals, with the receipts attached to the form.

Management's Response: I have studied the F-SA-9 form and have determined that there is nothing similar that can be generated from the EPES program that provides the same information. All of the information, however, is included on the purchase order and check that is printed. Instead of handwriting all of the information out again on a F-SA-9 form, I have been having the individual that is receiving the reimbursement to sign the check stub that I keep before receiving their check. This way, I have their signature on the stub, which includes all of the information that is normally included on the F-SA-9 form.

Fundraiser Procedures: When comparing receipts from a "spirit card" fundraiser, we noted that 800 cards were purchased, with a refund received for 60 cards, indicating that 740 cards were sold. Based on the selling price of \$10, \$7,400 should have been collected. Only \$6,930 was deposited, resulting in a shortage of \$470. We recommend the use of a fundraiser worksheet, form F-SA-2B to account for each fundraiser. If there were cards that were unsold, they should be accounted for and, if possible, returned to the vendor for a refund.

Management's Response: Spirit card sales run the entire duration of the school year or until the cards are gone. We continue to promote and sell cards throughout the year. This year, as their expiration date approached and we started a new sale, we had several cards that had not been sold. We simply discarded those. I believe, at that point, I would have needed to complete a form F-SA-2B. We don't consider that fundraiser done until the next cards start selling the next year. In the future, I will include records that clearly account for cards sold and what was done with any remainders.

Central Elementary

Cash Receipts Procedures: In our test of cash receipt tickets, we noted that ticket number 2806 was not on the sequential list of receipts, but we did not locate a void ticket in the file. We also noted several that had the printed number changed on the form. We also noted that ticket numbers 2873 and 2874 were printed on plain paper and were marked "duplicate". If these were the result of printer jams or other computer malfunctions, it would be helpful to note that in the file for future reference. We also noted that one multiple receipt form for cash donations listed a total only and was not signed by the employees who paid money to wear jeans. Multiple receipt forms should be signed by each person, with the dollar amount listed next to each name.

We also noted one deposit that was made nine days before the date on the receipt ticket and another that was three days before the date on the receipt ticket. This indicates that the cash receipt ticket was not prepared at the time funds were remitted. The person remitting the funds should wait until funds are counted and a printed receipt should be given to them at that time.

Management's Response: For receipt ticket number 2806, there was a note in the file that it was voided, but it was not on the sequential list of receipts. For the ticket numbers that were changed or printed on plain paper, these were due to interruptions and computer problems. I will note this in the file in the future. I have to reverse the receipts and checks when putting them in the printer which sometimes causes problems. Also, other people use the same printer and that sometimes causes problems. I will double check multiple receipt forms and make sure they are signed by the contributor. One possible reason for receipt tickets being dated after the deposit date could have been that I was out sick on the day received.

**MARSHALL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**
June 30, 2013

CURRENT YEAR COMMENTS (Continued)

Central Elementary (Continued)

Cash Disbursements Procedures: In our test of disbursements, we noted two checks that were signed by the treasurer only. All checks should be signed by both the treasurer and the principal. We also noted three disbursements to students for which the standard invoice was not signed. Standard invoices should be signed when possible. If the student is too young to sign the form, their parent should sign for them.

Management's Response: These are items that were simply overlooked. We will try to be more careful.

Jonathan Elementary

Inventory Control Procedures: Snacks are donated and sold in each classroom. In the prior year, inventory control worksheets were used to document the items received and sold. In the current year, no inventory control worksheets were prepared. We recommend that these sheets be used in the future to better document the items and funds received.

Management's Response: As of today, the only class that sells snacks is 5th grade. All other classes have decided not to sell snacks anymore. The 5th grade uses, and will continue to use, inventory control worksheets to document items received and sold.

Cash Receipts Procedures: In our test of cash receipt tickets, we noted one multiple receipt form that was used to list totals from three different sources, a donation, a car wash, and a chili supper. No other documentation was retained. When events are held for which donations are accepted, we recommend that at the end of the event, two people be responsible for counting the money and signing a form to indicate how much was received. A copy of that form should be submitted to the treasurer when the funds are remitted.

Management's Response: These three sources of money were collected during a weekend of fundraisers for the 5th grade Washington D.C. trip. For any future receipts of this nature, two people will be responsible for counting the money and signing a form to indicate how much was received. Multiple receipt forms will be used for functions such as the car wash and chili supper. Copies of these forms will be submitted to the treasurer when the funds are remitted. The principal and school secretary have discussed this with the 5th grade teacher responsible for these fundraisers.

Sharpe Elementary

Cash Receipts Procedures: In a random test of cash receipts, we noted that four multiple receipt forms were not signed by the treasurer. The multiple receipt form for one receipt listed only \$80, while the cash receipt ticket listed \$201.50. Two concession sales forms were not signed by the person remitting the money. Cash receipt ticket number 3560 was marked as void in the file for one amount, while the amount deposited was printed on a blank sheet of paper marked as "duplicate" for a different amount than the original receipt. We also noted three tickets that were dated five days after the deposit was made. The deposit for three other tickets was made five to seven days after the funds were received. We recommend that Red Book procedures be reviewed in this area so that forms are properly signed and match supporting documentation. Cash receipt tickets should be printed when the money is received, with a copy of the ticket given to the person remitting funds at that time. Deposits should be made by the next business day when more than \$100 is on hand.

**MARSHALL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**
June 30, 2013

CURRENT YEAR COMMENTS (Continued)

Sharpe Elementary (Continued)

Management's Response: Multiple receipt forms will now be signed by the treasurer. This was an oversight. In regards to the discrepancy of funds, there were two multiple receipt forms accidentally itemized on one cash receipt. In the case of the receipt that was voided, it was due to a different amount counted by the treasurer, so the receipt was edited to show corrected deposit amount. Receipt should have been marked "edited" instead of "voided". In regards to the cash receipts being dated after the funds were received, this occurred on busy days when the treasurer could not find the time to make cash receipt tickets before actually depositing money. Our goal was to get the money safely in the bank and do the cash receipt tickets when time allowed. Most of the time, the treasurer would stay after hours to do bookkeeping that was impossible to do during the day, due to scheduling conflicts. This has been resolved by changing her schedule to allow for more time to do bookkeeping duties, along with her other job duties.

Purchasing Procedures: In a test of disbursements, we noted that four purchase orders were not dated, one was for a field trip and was dated the same date as the trip, two were dated after the date on the invoice, three were not signed, and one was for a credit card payment and was dated the same date as the check. Purchase orders should be prepared and approved prior to placing an order for merchandise or services. For field trips, the approval by the board for the trip may be documented in the file in place of using a purchase order. Purchase orders should be used for each item charged on the credit card and not for the payment to the credit card itself.

Management's Response: The purchase order process from prior management was not working according to Red Book guidelines, so a new procedure has been implemented to allow for all purchases to be approved and signed before ordering. However, there are cases in which a purchase order is approved and signed by the principal and ordered on the same date. Purchase orders will not be used for the credit card statements. Instead, a purchase order for individual vendors appearing on that statement will be attached. This was done in error only because the treasurer didn't know how else to automatically print a check to VISA without creating a purchase order for them. She has since learned how.

South Marshall Elementary

Cash Receipts Procedures: In a random test of cash receipts, we noted that four multiple receipt forms were not signed or dated by the treasurer. We also noted that three other multiple receipt forms were not being used properly. These listed a total collected instead of individual names. Teachers need to be trained to complete the forms properly.

Management's Response: Treasurer forgot to sign and date the multiple receipt forms and will be more careful in the future. Teachers have been informed and trained on how to use the multiple receipt forms. They are doing a much better job at turning the forms in correctly this year.

Cash Disbursements Procedures: In a random test of disbursements, two checks tested were payments on a credit card. One statement was missing detail receipts for \$142.49 out of the \$282.24 that was paid. The second statement did not have any detail receipts for \$406.97 that was paid. Detail receipts should be obtained for all purchases. We also noted two reimbursements to individuals that were supported by receipts showing the amount reimbursed; however, we recommend that form F-SA-9 be used to document reimbursements paid to individuals, with the receipts attached to the form.

**MARSHALL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
June 30, 2013**

CURRENT YEAR COMMENTS (Continued)

South Marshall Elementary (Continued)

Management's Response: In past years, as long as the Wal-Mart statement had itemized detail in the bill, a receipt was not included. We have stressed to the teachers and staff this year the importance of returning the receipts from Wal-Mart when they return the credit card. They are doing a great job so far returning receipts. Form F-SA-9 will be used in the future for any reimbursements paid to individuals. We did not realize we should have used the forms since receipts and documentation had been turned in.

Benton Middle

Cash Disbursements Procedures: In a random test of disbursements, we noted one payment that was \$35.19 more than the invoice. This was also a charge on a credit card, for which the credit card sign-out sheet was not used. Upon inquiry, it was noted the purchase was made online and the card did not leave the building; however, we feel the sign-out sheet should still be used in these instances to have a record of who placed the online order using the card.

Management's Response: We used the credit card sign out log for all of our cards except when using the VISA card to order online. The VISA card never left the office because the office computer was used to order the item. However, we will now sign out the VISA card each time that an order is placed.

North Marshall Middle

Inventory Control Procedures: In our test of inventory control procedures, we again noted that the forms are not being properly completed. The concession worksheet for the period from October 24, 2012 through January 10, 2013 listed total deliveries and total collections, with no individual amounts listed in order to trace to the source. Three worksheets listed deliveries of pizza or candy, but no collections were listed. Another worksheet listed deliveries of popcorn and drinks of \$1,116.00, with collections of \$1,642.31, with no beginning or ending inventory listed and no explanation for the overage. We recommend that the person who completes these forms be trained in the correct method of completion.

Management's Response: We had new people in charge of our concession stand last year. This, along with the inventory requirements, contributed to the omissions on our inventory sheets. We will fully train the people in charge of concessions this year.

Cash Receipts Procedures: In our test of cash receipt tickets, we noted that the documentation for fees collected included only copies of checks received and no documentation for the cash that was received. We recommend the use of a multiple receipt form for this type of receipt. We also noted eleven of the tickets selected for testing were not deposited in a timely manner. These deposits were made from three to fifteen days after receipt. When funds collected are in excess of \$100, the deposit should be made by the next business day.

Also in our search for accounts receivable after year end, it was noted that some funds deposited during July 2013 was actually received in February and found in a teacher's desk. Each person collecting funds should remit the money to the treasurer on a daily basis and should wait until the treasurer has counted the money and prints a receipt. A copy of the receipt should then be given to the person remitting the funds.

**MARSHALL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
June 30, 2013**

CURRENT YEAR COMMENTS (Continued)

North Marshall Middle (Continued)

Management's Response: Teachers many times indicated the total amount of cash received for a collection instead of listing each child individually. For example, if students were asked to give money for a field trip, students who submitted checks were listed, but students who gave cash were all listed as one big amount. We will make sure teachers use individual names on the multiple receipt forms. The person who was in charge of making our deposits was not aware of the requirement of daily deposits. She is now aware of it and will make sure all money is deposited the day of the receipt or the next day. The teacher who submitted the money months after it was received forgot about the money in his desk. This was an oversight on his part.

Purchasing Procedures: No purchase orders were included in the files that we examined. Purchase orders should be completed and approved prior to placing an order for merchandise or services and should be retained with the invoice.

Management's Response: We will use purchase orders for every purchase from this point forward.

South Marshall Middle

Cash Receipts Procedures: In a test of cash receipt tickets, we noted two that were not supported by documentation such as a multiple receipt form or copies of checks. We recommend that a multiple receipt form be used in such instances.

Management's Response: In past years, we did not use multiple receipt forms for jamboree tickets and for a faculty lunch that the faculty gave a donation to eat. This year, we are using multiple receipt forms to account for all money that we receive.

Purchasing Procedures: Of the disbursements selected for testing, only one had a purchase order included. Purchase orders should be completed and approved prior to placing an order for merchandise or services and should be retained with the invoice.

Management's Response: This year we are doing purchase requests and purchase orders for everything.

Cash Disbursements Procedures: In a test of disbursements, we noted one payment on a credit card, which was only supported by a copy of the credit card statement. Upon inquiry, we noted a charge was made on the board credit card. The board accounts payable clerk sent a copy of the statement to the school with the amount for the school to pay noted. We recommend that a copy of the detailed receipt be requested when items are charged to the board credit card, but are paid for by the school.

Management's Response: We will ask for more documentation from the board.

**MARSHALL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**

June 30, 2013

CURRENT YEAR COMMENTS (Continued)

Marshall County Technical Center

Cash Receipts Procedures: In a random test of receipts, we noted one multiple receipt form that was not signed by the teacher who remitted the funds. The multiple receipt form should be signed by both the person remitting the money and the treasurer.

Management's Response: We will make sure all receipts are signed by the employees from this point forward.

Cash Disbursements Procedures: In a random test of disbursements, we noted one payment that was on a credit card, for which the credit card sign-out sheet was not used. Upon inquiry, it was noted the purchase was made online and the card did not leave the building. If more than one person has access to this card, a sign-out sheet should still be used to have a record of who placed the online order using the card.

Management's Response: No employee has any credit card in their possession. We will make sure the credit card check out form is signed from this point forward.